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Case No. OFFICE OF THE CLERK

In the

United States Supreme Court

October, 1999 Term

ENVIRON PRODUCTS, INC.
Petitioner,

v.

INTELPRO CORPORATION
Respondent.

On Petition for Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Whether Federal Rule of Civil Procedure 25(c) can be read to create appellate standing for a party, and therefore court of appeals jurisdiction over an appeal?

Does Federal Rule of Civil Procedure 25(c), applied for the first time in a court of appeals proceeding to confer appellate standing on a party, override the "case or controversy" prerequisites for standing and federal court jurisdiction contained in the United States Constitution, Article III, Section 2?

Whether a federal court of appeals may disregard constitutional limits on its jurisdiction in an unprecedented ruling that defies Supreme Court controlling authority, then successfully protect itself from review by designating its opinion "not citable for precedent" and refusing both rehearing and a request to change the designation to precedential?

PARTIES

In addition to the parties listed in the caption, the following was a party to the proceedings in the district court (as co-plaintiff):

Total Containment, Inc.

Total Containment did not participate in the appeal.

Corporate Disclosure Statement of Petitioner

Petitioner Environ Products, Inc. has neither a parent nor subsidiary company, and is privately held.

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OPINIONS OF THE DISTRICT COURT AND THE COURT OF APPEALS

The September 15, 1999 opinion of the Federal Circuit Court of Appeals, whose judgment is the subject of this petition, is printed in the Appendix at pages 20-34. The Federal Circuit's denial of petitioner's suggestion for rehearing and request for rehearing *en banc* appears at page 35 of the Appendix. The opinion of the District Court for the Eastern District of Pennsylvania that was reviewed by the Federal Circuit is printed at pages 37-46 of the Appendix. However, the subject of this petition is only the ruling of the Court of Appeals for the Federal Circuit with regard to the appellate standing of the respondent.

JURISDICTION

The judgment of the Federal Circuit Court of Appeals was entered on September 15, 1999, and the court of appeals denied petitioner's request for rehearing and rehearing *en banc* on November 9, 1999. This Court's jurisdiction is invoked under 28 U.S.C § 1254(1).

CONSTITUTIONAL, STATUTORY AND RULES PROVISIONS RELEVANT TO PETITION

This case involves Article III of the Constitution of the United States, providing for the establishment of the federal courts and the limits of their jurisdiction, which states:

> **Section 2.** The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and

> Treaties made, or which shall be made, under their Authority;...;—to Controversies to which the United States shall be a Party;—to Controversies between two or more States;—between a State and Citizens of another State;—between citizens of different States; ... . [Immaterial provisions omitted.]

This case also involves Federal Rule of Civil Procedure 25(c), which states:

> **(c) Transfer of Interest.** In case of any transfer of interest, the action may be continued by or against the original party, unless the court upon motion directs the person to whom the interest is transferred to be substituted in the action or joined with the original party. ... [Service provision omitted].

STATEMENT OF THE CASE

This case involves an unprecedented ruling by the Federal Circuit that conferred appellate standing on a party without regard to the "case or controversy" requirement of Article III for the exercise of the court's subject matter jurisdiction, and in direct contradiction of controlling Supreme Court precedent. Standing and appellate jurisdiction was conferred by interpreting Fed.R.Civ.P. 25(c) to create standing to appeal for an original party in the district court case, though that party had transferred its entire interest in the subject matter of the dispute prior to filing the appeal. (Appendix, p. 24.) This decision literally created *appellate jurisdiction* through a previously unknown interpretation of the rules governing civil

procedure in the *district* courts. The Federal Circuit did not even address Article III's case or controversy limits on its jurisdiction. Nor did the Federal Circuit address why this Rule of Civil Procedure could be properly applied in a court of appeals proceeding.

The facts are straightforward. In January, 1997, respondent Intelpro Corporation ("Intelpro") and a co-plaintiff patent licensee filed suit against petitioner Environ Products, Inc. ("Environ"). Intelpro alleged that Environ was infringing three of Intelpro's patents. The jurisdiction of the district court was based on United States patent law, specifically 35 U.S.C. § 271 and 281.

In May, 1997, during the district court proceedings, Intelpro sold all of its business assets, including the patents-in-suit, to a third party, PISCES by OPW, Inc. ("OPW"). (Appendix, p. 23-24.) OPW did not attempt to join the district court proceedings at any time.

The district court case continued with Intelpro as a party under Fed.R.Civ.P. 25(c). Rule 25(c) provides that, where a transfer of interest takes place during an action, the case may be continued "by or against" the original party unless the transferee is substituted or joined in the action. Thus, Intelpro remained a party in name only while OPW, the real party in interest, remained remote from the case.

In September, 1998, the district court entered summary judgment that the patents-in-suit were invalid. (Appendix, p. 46.) Neither OPW (the patent owner) nor the co-plaintiff licensee filed an appeal. But respondent, despite the fact that it

no longer owned the patents, appealed the judgment entered against the patents.

Petitioner moved to dismiss the appeal on the ground that respondent lacked standing to appeal. The motion was denied with instructions to raise the issue in the briefs. Petitioner challenged respondent's standing to appeal – and therefore the appellate court's jurisdiction – in petitioner's principle brief on appeal.

In its opposition brief, respondent claimed to have an economic interest in the outcome of the appeal that gave it standing to appeal. Since respondent's sale of the patents, the licensee had been paying its license royalties to the new patent owner, OPW. OPW was obligated, under the terms of the asset purchase agreement by which OPW acquired the patents, to pay to respondent a sum equal to that actually received from the licensee in royalties. Because the licensee stopped paying royalties when the patents were judged to be invalid, OPW no longer paid money to respondent under the contract of sale. Respondent did not argue that it had appellate standing under any interpretation of Fed.R.Civ.P. 25(c).

The Federal Circuit Court of Appeals ignored respondent's "economic interest" argument for appellate standing. Rather, the Federal Circuit ruled, without citation to any pertinent authority,[1] that respondent had appellate standing because it was an "original party" in the case and, under operation of Federal Rule of Civil Procedure 25(c), retained

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[1] Intensive research has revealed no authority whatsoever for the Federal Circuit's ruling on the effect of Rule 25(c) on appellate standing.

standing in the court of appeals. (Appendix at p. 24-25.) The Federal Circuit did not address, much less resolve, the Article III "case or controversy" limits on appellate jurisdiction raised by petitioner, nor how such jurisdictional limits were overcome by the unprecedented application of Rule 25(c) in a court of appeals. Having recognized standing in the respondent, the Federal Circuit reached the merits of the appeal, vacated the judgment, and remanded the case to the district court. (Appendix, p. 34.)

Petitioner seeks review by this Court because the Federal Circuit swept aside this Court's precedent that forbids reading a rule of procedure to create jurisdiction. The Federal Circuit also ignored this Court's precedent regarding the requirement for an appellant's showing of a "direct and palpable" interest in the outcome of the appeal to secure standing - and the jurisdiction of the court - on appeal. The Federal Circuit's disregard for Article III limits on its power, evidenced by the complete absence of any consideration of Article III issues in its opinion, is such a departure from the usual course of judicial proceedings as to require the exercise of this Court's supervisory power.

Petitioner also seeks review of the judgment of the court of appeals because it is abundantly clear that the court of appeals engaged in outcome-based jurisprudence without regard to limits on its power. Though its decision on standing was unprecedented, cited no authority for its legal premise, addressed a previously unanswered question of law, and was directed to an important issue having constitutional implications, the court designated its opinion as non-precedential. The Federal Circuit states in its own rule book that non-precedential opinions are almost never granted review

on petition for rehearing. After petitioner submitted a rehearing request citing the contrary controlling Supreme Court precedent incorporated in this petition, the Federal Circuit denied rehearing. The Federal Circuit then denied petitioner's request to have the opinion designated as precedential for review. (Appendix, p. 47-48.) It could not be clearer that the Federal Circuit was not going to allow the standing issue to block its reversal of the district court and, having taken that course, that the court then took all necessary steps to insulate its decision from review of any kind. This Court should exercise its supervisory authority against such blatant rogue conduct by the Federal Circuit.

Finally, this case presents questions regarding the Federal Circuit's willingness to disregard the constitutional limits on a court's power to act - in this case its own power - that are similar to those raised in *Nelson v. Adams USA, Inc.*, case number 99-502 in this Court, in which a petition for a writ of certiorari was recently granted. Both of these cases involve constitutional issues directly related to a court's ability to assume jurisdiction over a party. In both cases the court of appeals ignored fundamental limits on judicial power — due process in *Nelson v. Adams USA*, and Article III jurisdiction in the instant case. Both cases come from the Federal Circuit. Both opinions were authored by the same Federal Circuit judge. Both cases involve interpretations of the Rules of Civil Procedure (Rules 15 and 25) that resulted in courts taking jurisdiction over a party without regard to constitutional constraints. Since the Court has already decided to review *Nelson v. Adams USA*, it should also grant review of this case, which presents a related question on application of a different Rule, for the same reasons.

WHY THE WRIT SHOULD BE GRANTED

I. The Federal Circuit's Ruling Directly Contradicts This Court's Holding That The Operation Of A Rule Of Procedure Cannot Create Jurisdiction

The matter of a party's standing is a question implicating the power of a federal court to hear the case; that is, a question of the court's jurisdiction. By reading Fed.R.Civ.P. 25(c) to automatically confer standing to appeal on a party that retained no direct and substantial interest in the outcome of the appeal, the Federal Circuit also conferred jurisdiction on itself to hear the appeal. But this Court has clearly stated that the Rules do not create jurisdiction.

A. The question of a party's standing to sue, or to appeal, is a jurisdictional inquiry

A court of appeals that is without jurisdiction to hear an appeal has no authority to decide the merits of that appeal. *Bender v. Williamsport Area School District*, 475 U.S. 534, 549, 106 S.Ct. 1326, 1335, 89 L.Ed.2d 501 (1986). The question of a party's standing to appeal determines whether the party is entitled to have a court decide the merits of a dispute, an inquiry that involves the constitutional limits of a federal court's jurisdiction. *Warth v. Seldin*, 422 U.S. 490, 498, 95 S.Ct. 2197, 2206, 45 L.Ed.2d 343 (1975). Thus, simply put, if a party has no standing to appeal, a court of appeals has no power to hear the merits of the appeal.

B. A reading of the federal rules cannot create jurisdiction where it would not exist under Article III

Ignoring Article III entirely, the Federal Circuit conferred appellate standing on the respondent on the singular basis of the operation of Fed.R.Civ.P. 25(c) applied to appellate court proceedings. Though the Rules of Civil Procedure are intended to govern the administration of civil cases in the federal district courts (*see* Fed.R.Civ.P. 1), they are not intended to extend the jurisdiction of the federal courts. The Rules state the premise clearly:

> **Rule 82.** These rules shall not be construed to extend or limit the jurisdiction of the United States district courts or the venue of actions therein.

In *Willy v. Coastal Corp.*, 503 U.S. 131, 112 S.Ct. 1076, 117 L.Ed.2d 280 (1992), this Court stated the rule that the Federal Circuit directly violated in its decision in this case. After noting that the Court had already observed that federal courts were not free to extend or restrict the jurisdiction conferred by a *statute* (in *Sibbach v. Wilson & Co.*, 312 U.S. 1, 61 S.Ct. 422, 425, 85 L.Ed. 479 (1941)), the Court continued:

> Such a caveat applies *a fortiori* to any effort to extend by rule the judicial power of the United States described in Article III of the Constitution. **The Rules, then, must be deemed to apply, only if their application will not impermissibly expand the judicial authority conferred by Article III.** [Emphasis added.]

Willy v. Coastal Corp., 503 U.S. at 135, 112 S.Ct. at 1079.

Because the question of standing is directly related to a court's Article III power to adjudicate a case, conferring appellate standing on a party by operation of a rule of procedure in the district court is a direct violation of this Court's rule that jurisdiction may not be extended by operation of the Rules. The Federal Circuit's decision on standing in this case is directly contrary to this Court's authority.

The Federal Rules of Civil Procedure (and of Appellate Procedure) were promulgated by this Court under authority granted by Congress in the Rules Enabling Act, 28 U.S.C. § 2072(a). In the Act, Congress stated:

> **(b)** Such rules shall not abridge, enlarge or modify any substantive right.

This Court concluded that the Rules Enabling Act was purposely restricted in its operation to "matters of pleading and court practice and procedure." *Sibbach v. Wilson & Co.*, 312 U.S. at 10, 61 S.Ct. at 424-25. Article III jurisdiction is not a matter of procedure; it is a constitutionally defined limit on the power of the federal courts.

As the entity charged with the power to prescribe the Rules, this Court is also the arbiter of their effect and their limits. The Federal Circuit has directly violated Fed.R.Civ.P. 82, which codified Congress's limitation on the effect of the rules it authorized, and has ignored this Court's controlling authority in *Willy v. Coastal Corp.* For this reason alone this Court should review the decision of the court of appeals under Rule 10(a) of the Supreme Court

Rules. And, because the question of the application of Fed.R.Civ.P. 25(c) to the question of standing in the court of appeals is a new and important question of federal law, this Court should take the question under review under Supreme Court Rule 10(c).

But there is more for the Court to consider.

II. Article III Limits On The Jurisdiction Of Federal Courts Require That A Case Or Controversy Be Presented In Which The Party Seeking Appellate Jurisdiction Has A Personal Stake In The Outcome Of The Appeal

The Constitution limits the exercise of the power of the federal courts, which possess only that power authorized by the Constitution and statute, and which is not to be expanded by judicial decree. *Kokkonen v. Guardian Life Insurance Co. of America*, 511 U.S. 375, 377, 114 S.Ct. 1673, 1675, 128 L.Ed.2d 391 (1994). The "case" or "controversy" requirement of Article III is the "irreducible" constitutional minimum of standing. *Bennett v. Spear*, 520 U.S. 154, 164, 117 S.Ct. 1154, 1161, 137 L.Ed.2d 281 (1997). *See also, Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561, 112 S.Ct. 2130, 2136, 119 L.Ed.2d 351 (1992) ("[T]he core component of standing is an essential and unchanging part of the case or controversy requirement of Article III."). Thus, the question of standing involves constitutional limitations on federal court jurisdiction. *Bennett v. Spear*, 520 U.S. at 164, 117 S.Ct. at 1161.

The decision of the court of appeals utterly ignored these fundamentals of the standing analysis. The court made no attempt to rationalize, in terms of its Article III

case or controversy jurisdiction, the relative merits of the arguments presented by the parties which, unlike the court of appeals decision, were based on Article III principles.

A. The Federal Circuit's ruling that an original party has automatic standing to appeal is contrary to Supreme Court authority on standing in its Article III context

The court of appeals' resolution of the standing question relied only upon Fed.R.Civ.P. 25(c) and its operation in the *district* court without any analysis of why that operation extended to the issue of standing in the court of appeals. To the court, the answer to the standing question was simple: respondent was an original party in the district court and, under Rule 25(c), could remain a party with standing to appeal. (Appendix, p. 24-25.)

This decision directly conflicts with yet another simple statement on jurisdiction from this Court:

> But status as a "party" does not equate with status as an appellant.

Diamond v. Charles, 476 U.S. 54, 63, 106 S.Ct. 1697, 1704, 90 L.Ed.2d 48 (1986). *See also, Bender v. Williamsport Area School Dist. et al.*, 475 U.S. 534, 542-43, 106 S.Ct. 1326, 1331-32, 89 L.Ed.2d 501 (1986) (party below has no standing to appeal without personal stake in outcome).

Regardless of the status of the parties in the district court, a party filing an appeal is required to satisfy the requirements of Article III jurisdiction anew on appeal.

> The standing Article III requires must be met by persons seeking appellate review, just as it must be met by persons appearing in courts of first instance.

Arizonans for Official English v. Arizona, 520 U.S. 43, 64, 117 S.Ct. 1055, 1067, 137 L.Ed.2d 170 (1997). Every federal appellate court has a special obligation to satisfy itself of its own jurisdiction. *Bender v. Williamsport Area School Dist. et al.*, 475 U.S. at 541, 106 S.Ct. at 1331 (deciding question of district court party's standing to appeal in the negative). This obligation to notice defects in a court of appeals' subject matter jurisdiction assumes a special importance when a constitutional question is presented. *Bender*, 475 U.S. at 542-543, 106 S.Ct. at 1331. The issue of appellate standing presents a constitutional question, as demonstrated by the cases cited above.

But the court of appeals disregarded the Article III constitutional power issue completely. For this reason, too, this Court should review the court of appeals' decision under Supreme Court Rule 10(a).

B. The court of appeals ignored this Court's precedent requiring an appellant to have a direct and palpable interest in the appeal

Where, as here, the party's standing does not arise from a statute authorizing invocation of the judicial process, a party must demonstrate an actual injury to himself to have a sufficient stake in the outcome of an appeal to support appellate jurisdiction. *Sierra Club v. Morton*, 405 U.S. 727, 731-32, 92 S.Ct. 1361, 1365, 31 L.Ed.2d 636 (1972); *Lujan*

v. Defenders of Wildlife, 504 U.S. at 561, 112 S.Ct. at 2136; *Gollust v. Mendell*, 501 U.S. 115, 125, 111 S.Ct. 2173, 2180, 115 L.Ed.2d 109 (1991). Even when the party has alleged injury sufficient to meet the case or controversy requirement, the party "must assert its own legal rights and interests, and cannot rest his claim to relief on the legal rights or interests of third parties." *Warth v. Seldin*, 422 U.S. at 499, 95 S.Ct. at 2205.

Article III requires that the injury that a party presents as its justification for invoking judicial action must be direct and palpable. *Warth v. Seldin*, 422 U.S. at 501, 95 S.Ct. at 2206. *See also, Lujan v. Defenders of Wildlife,* 504 U.S. at 560, 112 S.Ct. at 2136 (To have standing a party must show "an invasion of a legally protected interest" that is "concrete and particularized" and " actual or imminent. "). The mere fact that an appeal would provide a remedy for an injury that is only a byproduct of the district court action does not mean that the injury is cognizable under Article III. *Diamond v. Charles*, 476 U.S. at 70-71, 106 S.Ct. at 1708.

The party suffering the "direct and palpable" injury as a result of the district court judgment in this case was the patent owner, OPW, for its patents were judged to be invalid by the district court. OPW's patent rights were the subject of the district court litigation, not any contractual right belonging to respondent after the patents were sold.

Though it was the directly affected party, OPW did not appeal the judgment. Respondent did, attempting to vindicate the rights of the absent party, OPW, in order to

achieve a collateral benefit for itself.[2] This is not a recognized basis for standing to appeal. *See, Diamond v. Charles*, 476 U.S. at 62-63, 106 S.Ct. at 1703-04; *Bender v. Williamsport Area School District*, 475 U.S. at 542-545, 106 S.Ct. at 1332-33.

The court of appeals ignored this Court's jurisprudence on standing and the necessity of finding a direct and palpable injury to the appellant to satisfy the requirements of Article III standing on appeal. The Federal Circuit even ignored its own controlling authority on standing in a similar case. In *Penda v. United States*, 44 F.3d 967 (Fed.Cir. 1994), the appellant was a government contractor who had indemnified the United States against liability for patent infringement in the performance of a contract. When the United States was found to be liable for patent infringement damages, the contractor (not the government) appealed. The Federal Circuit dismissed the appeal for lack of standing, finding the contractor's indemnification liability for patent infringement damages too remote an interest to support standing. *Penda v. United States*, 44 F.3d at 971-972.

Rather than inquiring into satisfaction of Article III case or controversy prerequisites at the appellate stage, as in *Penda*, the court of appeals here simply extended respondent's participation from the district court stage of the case into appeal, relying only on Fed.R.Civ.P. 25(c) as justification. Nowhere, from Congress to any court at any level (until now), is there even the most ephemeral suggestion of authority for the proposition that Rule 25(c) extends jurisdiction into the appellate stage of a case.

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[2] The restoration of payments under contract from OPW in an amount equal to that paid to OPW by the licensee under the patents.

Because the court of appeals ignored the Article III necessities for standing, no matter the justification presented, this Court should grant review of the judgment under Supreme Court Rule 10(a).

II. The Court Of Appeals Acted Without Jurisdictional Authority, Then Attempted To Shield Its Groundbreaking Decision From Review By Designating This Unprecedented Ruling As Not Citable For Precedent

Since the court of appeals acted contrary to this Court's authority by reading a Rule of Civil Procedure to create appellate jurisdiction, it clearly acted without jurisdictional authority when it addressed the merits of the appeal, then vacated the judgment and remanded. Had the court of appeals cited even a single case from any appellate court that reached a similar conclusion, there might be a reason to understand its error as one of law, not of will. But it cited no such authority. In fact, the only appellate opinion that addressed the same issue (transfer of interest, then appeal by the transferor) stated:

> [I]f his interest or right in and to the subject matter ceases *pendente lite*, by conveyance, assignment or otherwise, **his appealable interest thereby expires, however prejudicial the judgment may be to another**. [Emphasis added.]

In re Michigan-Ohio Bldg. Corp., 117 F.2d 191, 193 (7th Cir. 1941).

Combined with its actions after reaching its decision, it is clear that the court of appeals was engaged in outcome-based jurisprudence. That the court was unhappy with the district court's summary judgment is clear from its opinion. But dissatisfaction with the judgment of the district court, without more, does not confer the power on the court of appeals to review the judgment and vacate it. The affected party, who owned the patents that the district court declared to be invalid, did not care enough to appeal the judgment. Seeing the court of appeals' action in this light, it is as if the court simply had occasion to read a district court judgment that it did not approve and issued an order to negate it, notwithstanding the fact that the affected party did not appeal.

The court of appeals has given this Court reason to believe that this is exactly what the Federal Circuit was doing, using respondent's improper appeal as its vehicle. Though there is no precedent for the ruling on the reach of Fed.R.Civ.P. 25(c) into *appellate* jurisdiction, the court designated this important decision as not citable for precedent. (Appendix, p. 20.) The reason for this curious action may be gleaned from the court of appeal' own admonition to the bar. The rules booklet published by the Federal Circuit states in a "Practice Note":

> **Non-precedential opinions.** A petition for rehearing en banc is rarely appropriate if the appeal was the subject of a non-precedential opinion by the panel of judges that heard it.

Nonetheless, petitioner requested rehearing *en banc*, citing the Supreme Court authority presented herein as grounds for the rehearing. As the Federal Circuit predicted in its rulebook, the request was denied notwithstanding the controlling precedent that the court had violated. (Appendix, p. 35.)

Petitioner then filed a request to have the court of appeals opinion designated as precedential. Petitioner argued that this new reading of Rule 25(c) was important to the bench and bar since it touched on important questions relating to the court's jurisdictional reach, Article III issues, the effect of the Rules of Civil Procedure on appellate jurisdiction, and was clearly without precedent. That request, too, was denied without explanation. (Appendix, p. 47-48.)

If this Court denies petitions for certiorari simply because the underlying court of appeals decision is not citable for precedent, then the tactic of preventing review by choosing the non-precedential designation prevails. It is inevitable that abuses of power would occur if this were the rule. This Court should not let the "not citable as precedent" tag prevent it from reviewing the court of appeals' abuse of power in this case. The court of appeals acted without jurisdiction, then took the necessary steps that it has authorized itself to use to prevent review of its action, the reasons for it, and the result. Though the court of appeals decision is not citable as precedent, it is a public record, it is published (1999 WL 717946), and can be cited for persuasion. It will misdirect others in the future if it goes unreviewed.

This Court cannot presume that there is no harm done by an incorrect decision that is designated non-

precedential. Harm was most certainly done to petitioner, who must face trial as a patent infringement defendant even though the patent owner did not appeal a judgment that its patents were invalid. And harm is done to the law when a rogue ruling is allowed to stand though there is a party (a party *having* standing) willing and able to challenge it.

The Supreme Court's supervisory power over the federal courts should be brought to bear in this case under Supreme Court Rule 10(a). A court of appeals should not enjoy the perceived comfort that it can act against the controlling authority of the Supreme Court with impunity by simply designating its decision as not citable for precedent.

IV. CONCLUSION

If Fed.R.Civ.P. 25(c) confers appellate standing upon, and appellate jurisdiction over, a district court party that remained a party after transferring its interest in the case, in violation of this Court's authoritative statement in *Willy v. Coastal Corp.*, it is for this Court to so rule. In view of: (i) the provisions of the Rules Enabling Act, (ii) Fed.R.Civ.P. 82, (iii) this Court's pronouncement that the Rules do not extend jurisdiction beyond that contemplated by Article III, Section 2, and (iv) Article III's requirement that the appellant have a direct and palpable interest in the outcome of the appeal, the court of appeals' ruling is incorrect and should be reviewed and reversed.

For all the foregoing reasons, the petitioner respectfully and earnestly requests that this Court grant certiorari.

Respectfully submitted,

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Petitioner

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NOTE: Pursuant to Fed.Cir.R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

TOTAL CONTAINMENT, INC., Plaintiff,
v.
INTELPRO CORPORATION, Plaintiff-Appellant,
v.
ENVIRON PRODUCTS, INC., Defendant-Appellee.
Nos. 99-1059, 99-1060.
United States Court of Appeals, Federal Circuit.
Sept. 15, 1999.
Rehearing and Rehearing En Banc Denied Nov. 9, 1999.

Before MICHEL, CLEVENGER, and SCHALL, Circuit Judges.

MICHEL, Circuit Judge.

Plaintiff-Appellant Intelpro Corporation ("Intelpro") appeals from the September 29, 1998 declaratory judgment of the United States District Court for the Eastern District of Pennsylvania granting Defendant-Appellee Environ Products, Inc.'s ("Environ's") motion for summary judgment and declaring the claims of United States Patent Nos. 5,553,971 ("the '971 patent"), 5,567,083 ("the '083 patent"), and 5,590,981 ("the '981 patent) (collectively the "Osborne patents," or "patents-in-suit") invalid either as anticipated under 35 U.S.C. s 102, or as obvious under 35 U.S.C. s 103. Summary declaratory judgment of invalidity of the claims of the '981 patent was also based on an insufficient written description. See 35 U.S.C. s 112, p 1. Finally, the trial court also granted summary judgment of noninfringement of the '981 patent, the only patent on which summary judgment was moved for, by Environ's GeoFlex product, pursuant to Environ's declaratory judgment action. See Environ Products, Inc. v. Intelpro Corp., No. 97-707 (E.D.Pa. Sept. 29, 1998) consolidated with Total Containment. Inc. v. Environ Products, Inc., No. 97-1020 (E.D.Pa. Sept. 29, 1998).

In the trial court Environ filed for declaratory judgment of invalidity of the three patents-in-suit in Civil Action No. 97-707 and plaintiff-appellee Total Containment, Inc. ("TCI") filed for injunctive relief and damages due to infringement by Environ of all three patents-in-suit in Civil Action No. 97- 1020. The actions were consolidated below and this consolidated appeal arises from the cross-motions for summary judgment filed by the parties of infringement by Environ of the '981 patent only and from Environ's motion for summary judgment of invalidity of the patents-in-suit.

Keith Osborne is the owner of Intelpro. Osborne applied for, and was issued, the three patents-in-suit. The patents-in-suit were assigned to Intelpro. Intelpro granted TCI a license to the patents-in-suit. Intelpro, however, retained the right to practice the invention and to sell the retained rights and the patents.

At the time of the filing of the instant case, Intelpro was the assignee of the patents-in-suit. After the filing, and before judgment was issued, Intelpro assigned them to OPW/Buffalo Acquisition, Inc., now known as Pisces by OPW ("OPW"). OPW was not joined in the district court action, and has not joined the appeal to this court. TCI is the exclusive licensee under the patents-in- suit, as first assigned to Intelpro and now assigned to OPW, and was Intelpro's co-party in the district court actions. TCI, however, did not file a brief in this appeal, nor appear for oral argument.

The appeal was submitted for our decision following oral argument on August 6, 1999. We hold Intelpro has standing to maintain this appeal. We further hold that the district court erred in granting each of the summary judgments and, therefore, we vacate and remand for trial or for further fact-finding as the district court sees fit.

BACKGROUND

The three patents-in-suit are directed to secondarily-contained flexible piping systems that include a flexible inner supply pipe and an outer secondary containment pipe. Such piping

systems have particular applicability to gasoline filling stations, allowing them to transport gasoline safely from an underground storage tank to an above ground gasoline dispenser. These systems use flexible piping to greatly reduce the required number of pipe joints, potential sources of leaks in prior art rigid piping systems. Furthermore, the systems house the remaining joints in fluid-tight chambers to protect them, facilitate their inspection and repair, and to contain any leaks.

TCI and Intelpro are the exclusive licensee and original assignee, respectively, of the Osborne Patents. TCI and Environ[1] sell secondarily- contained flexible piping systems suitable for underground transportation of hazardous fluids like gasoline. At the time the applications for the patents- in-suit were filed, the underground piping industry was using rigid piping sections, such as steel and fiberglass sections, joined together with fittings and connectors. Those systems were prone to leaks, particularly at the joints formed by the fittings and connectors joining the sections.

Osborne filed a patent application in the United States Patent and Trademark Office ("PTO") on December 20, 1988. This application disclosed an underground secondarily-contained, flexible piping system designed to prevent release of the fluid into the environment should there be a leak from the flexible inner supply pipe. Osborne's invention eliminated pipe fittings and connectors normally required at the various bends, turns and section joints of rigid piping systems, thereby reducing these sources of leaks. Further, Osborne's invention housed all primary pipe fittings and connectors in chambers to enable ready access and to capture any leakage resulting from a defect in the system.

Two days after Osborne filed his 1988 application, another group of inventors, including Michael Webb, then of TCI, and Thomas Wilson, of Exxon Company, filed a patent application for a removable double containment flexible piping system, resulting in U.S. Patent No. 4,971,477 ("the '477 patent"). An interference resulted which Osborne eventually won. However, to

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[1] Environ introduced its "GeoFlex" piping system to the market in 1992.

avoid a possible appeal by TCI, TCI and Osborne entered into a settlement agreement in December 1994 through which TCI became the exclusive licensee of the inventions disclosed in Osborne's 1988 application and Osborne retained the right to practice the inventions. These inventions included two disclosed in continuation applications filed by Osborne before the 1988 application issued as the '971 patent. These continuation applications issued as the '083 and '981 patents. These three patents are the patents-in-suit.

Environ once had a license to use the patented technology. When Osborne later made TCI the exclusive licensee of the technology, Environ's license was revoked. Environ sued TCI and Intelpro to set aside their settlement agreement, and in 1996, a jury ruled in favor of TCI and Intelpro, upholding the settlement agreement and TCI's exclusive license.

Intelpro was the assignee of the Osborne patents when this action began. Shortly before the litigation began in January 1997, however, Intelpro entered into a litigation agreement with TCI which assigned to TCI the right to initiate and maintain an action against Environ for infringement of the Osborne Patents.

On January 17, 1997, TCI, in its name alone, filed a complaint against Environ in the United States District Court for the Eastern District of Virginia for infringement of the Osborne Patents. Environ moved to dismiss the complaint for lack of standing, for failure to join Intelpro, an indispensable party. On January 31, 1997, Environ filed in the United States District Court for the Eastern District of Pennsylvania a declaratory judgment action against Intelpro and TCI seeking to invalidate the Osborne patents. Environ then moved to transfer TCI's Virginia action to the Pennsylvania district court. The actions were consolidated in Pennsylvania, and Environ withdrew its motion to dismiss.

In May 1997, during the pendency of these actions, Osborne sold the business assets of Buffalo Environmental Products Corporation (Osborne's operating company) and of Intelpro (Osborne's intellectual property company) to OPW. Under the terms of the Asset Purchase Agreement, OPW is required,

among other things, to remit to Intelpro the royalty payments made by TCI under the interference settlement agreement license.

On September 29, 1998, the district court judge issued a Memorandum and Order which granted summary judgment to Environ and declared: the claims of the ' 083, '981, and '971 patents invalid pursuant to 35 U.S.C. ss 102 and 103; the claims of the '981 patent further invalid pursuant to 35 U.S.C. s 112, p 1; and that Environ's GeoFlex product does not infringe any claim of the '981 patent. From that judgment, Intelpro now appeals.

We have jurisdiction under 28 U.S.C. s 1295(a)(1) (1994).

DISCUSSION

I. Standing

The first issue we must decide in this appeal is whether or not Intelpro, having sold all interest in the patents-in-suit, still has standing to file and prosecute this appeal. We note that Intelpro did retain a reversionary interest in the patents-in-suit, but do not base our decision on that. Instead, we rely on Rule 25 of the Federal Rules of Civil Procedure, which provides, in relevant part, that: "In case of any transfer of interest, the action may be continued by or against the original party." Fed.R.Civ.P. 25(c) (1999). In Kloster Speedsteel AB v. Crucible Inc., 793 F.2d 1565, 1582, 230 USPQ 81, 92 (Fed.Cir.1986) we held that a company, Kloster, created after conclusion of the trial, but before judgment was issued, which had purchased the factories at issue from the party against whom the original action was brought, "must be deemed a successor in interest or an assign, ... and may for that reason appeal the refusal to modify [the injunction]." We went on to state in a footnote that since Kloster had "neither intervened before the trial court nor argued that [the original party was] ... incapable of contesting the merits on appeal, Kloster is without standing to appeal from the judgment on the merits." 793 F.2d at 1582 n. 14, 230 USPQ at 92 n. 14 (discussing Fed.R.Civ.P. 25(c)).

In this case, as in Kloster, the original party had standing to appeal from the district court judgment. Intelpro is clearly the

original party here, and Environ itself admits that it continued the actions below against Intelpro because of Fed.R.Civ.P. 25(c). See Def.-Appellee's Br. at xvii. Both sides concede that Fed.R.Civ.P. 25(c) applies to the instant action. We therefore find that, as the original party, Intelpro still has standing to continue the action. Therefore, Intelpro, we hold, may bring an appeal here, despite no longer owing any interest in the patents-in-suit. We note that while for the most part the Federal Rules of Civil Procedure govern district court proceedings, several Rules, including Rule 52(a), apply on appeal. Moreover, there is no direct provision on this subject in the Federal Rules of Appellate Procedure.

II. Invalidity

Having held that Intelpro has standing to appeal the judgment, we now turn to the merits of its appeal. The district court granted summary judgment declaring all of the claims of all of the patents-in-suit invalid, as either anticipated or obvious. The district court further granted summary judgment declaring all claims of the '981 patent invalid under 35 U.S.C. s 112 as well, based on an insufficient written description.

A. Invalidity for Anticipation by the Maeshiba Reference

The district court judge found Japanese Kokai Utility Model NO. SHO 62-23000 (the "Maeshiba reference") to anticipate the entire '083 patent, all elements of claims 1-3 and 6 of the '981 patent, and all elements of claims 8-9, 13, 15, 17-22, 24, 26-27 and 36 of the '971 patent. Intelpro's expert, William H. Murray, however, stated in his declaration that he disagreed with statements made by Environ's experts, John F. McNulty and Michael X. Plick, "including, for example, the unsupported statement that '[t]he Maeshiba reference is a full and complete anticipation of each of the features of claims 1 and 2 (all claims) of the '083 patent, each of the features of claims 1 and 2 of the '981 patent, and each of the features of at least claims 8, 9, 13, 15, 17, 18, 19, 20, 21, 22, 24, 26, 27 and 36 of the '971 patent, rendering all such claims clearly invalid under 35 U.S.C. s 102." There follows this statement an extended discussion by Mr. Murray of why, exactly, he disagrees with the assertion that

Maeshiba anticipates the patents-in-suit.[2] Dr. Wolf H. Koch, another expert witness hired by Intelpro, stated in his declaration that "it is [his] opinion that none of the claims of the Osborne patents are anticipated by the Maeshiba Application." At the very least, anticipation remains a genuine issue of material fact with specific, plausible and detailed testimony by dueling expert witnesses and, therefore, summary judgment is inappropriate. We vacate and remand the summary judgments of anticipation, with regard to all three patents.

B. Invalidity for Obviousness

We note, first, that our biggest concern here is the complete lack of findings or discussion of combinability by the district court judge. When obviousness is based on multiple references, there must be a showing of some "teaching, suggestion, or reason" to combine the references. Gambro Lundia AB v. Baxter Healthcare Corp. ., 110 F.3d 1573, 1579, 42 USPQ2d 1378, 1383 (Fed.Cir.1997) (also noting that the "absence of such a suggestion to combine is dispositive in an obviousness determination"). The district court judge's entire discussion of suggestion to combine is: The essence of Osborne's invention is fully present in the Maeshiba reference, with the exception of some peripheral and well-known elements and design choices (e.g. compression fittings, an integral annular cuff, leak sensors, etc.); the suggestion to combine Maeshiba with one or more other references is implicit in the prior art, given the system's intended purpose. Environ, slip op. at 8.

Suggestion to combine is a question of fact. See In re Dembiczak, 175 F.3d 994, 1000, 50 USPQ2d 1614, 1617 (Fed.Cir.1999) ("[P]articular factual findings regarding the suggestion, teaching, or motivation to combine serve a number of important purposes .... " (emphasis added)). "The suggestion to combine may be found in explicit or implicit teachings within the

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[2] Claims 3 and 6 of the '981 patent are dependent claims, and Mr. Murray goes on to state that since he believes claims 1 and 2 to be not invalid, claim 3, as dependent on claim 1, is also not invalid, and claim 6, as dependent on claim 2, is not invalid.

references themselves, from the ordinary knowledge of those skilled in the art, or from the nature of the problem to be solved." WMS Gaming, Inc. v. International Game Tech.,--F.3d--, 184 F.3d 1339, 51 USPQ2d 1385, 1397 (Fed.Cir.1999); see also Dembiczak, 175 F.3d at 994, 50 USPQ2d at 1617.

Neither the district court's opinion nor Environ's brief points to any suggestion in Maeshiba or any of the other cited art to combine the various elements as combined by the district court. Furthermore, there is no suggestion that one of ordinary skill in the art would know to combine these references. To fill the vacuum created by the absence of a suggestion, the district court judge obliquely refers to the system's "intended purpose" as suggesting the combination of references used in his anticipation finding but provides us with no specific discussion of what the problem faced by Osborne was or why "a skilled artisan, confronted with the same problems as the inventor and with no knowledge of the claimed invention, would select the elements from the cited prior art references for combination in the manner claimed." In re Rouffet, 149 F.3d 1350, 1357, 47 USPQ2d 1453, 1456 (Fed.Cir.1998).[3]

Intelpro disputes the district court judge's determination that any skilled artisan faced with the problem Osborne was faced with would have known how to solve it given the Maeshiba reference, and argues that the only way to find a suggestion to combine these elements is to engage in hindsight,[4] and to look for

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[3] For instance, the problem at hand here is transporting gasoline safely from an underground gasoline storage tank to an above ground gasoline dispenser. It seems odd to suggest that the nature of this problem would lead a skilled artisan to look to a piping system for supplying a system with water from a nearby river, as the district court judge suggests.

[4] It is impermissible "to use the claimed invention itself as a blueprint for piecing together elements in the prior art to defeat the patentability of the claimed invention. To prevent the use of hindsight based on the invention to defeat patentability of the invention, this court requires a motivation to combine the

missing elements in, one supposes, the entire "pipe art". Intelpro has produced expert testimony to support its argument that there is no suggestion to combine the elements of the prior art. Mr. Murray, an expert for Intelpro, declared that he disagreed with the statement of Mr. McNulty, an Environ expert, that "the suggestions to combine references is [sic] present in view of the problem that Osborne was trying to solve and are explicitly and implicitly present in the prior art". Mr. Murray details his concerns with specificity, stating, for instance, "[s]ince there is no teaching or suggestion of a coupling [in Maeshiba], disposed within an access chamber, connecting the gasoline suction pipe to a fluid or fuel source, there is no need for fittings in accordance with claims 3 and 6 of the '981 patent and thus no suggestion to lead one skilled in the art to employ fittings of the type disclosed in [prior art references] ... or any other types of fittings which existed in the prior art". We hold that there is a genuine issue of material fact here as to the proof by clear and convincing evidence of any suggestion to combine. We therefore vacate summary judgment on every claim where a suggestion to combine was found to render the claim invalid as obvious.[5]

With that in mind, we focus on the remaining claims, which the district court judge invalidated as obvious, finding the elements missing from Maeshiba not in prior art references, but rather as well known in the art.[6] We note, once again, that Intelpro's witness declarations dispute the desirability of adding these missing elements to Maeshiba. Dr. Koch, an expert for Intelpro, declared that "while different components of Osborne's invention were known, to some degree, in the petroleum industry prior to 1987, none of these components were combined or modified in the way envisioned by Osborne." Dr. Koch went on to declare that he could "think of no basis on which one of ordinary

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references that create the case of obviousness." Rouffet, 149 F.3d at 1357, 47 USPQ2d at 1456.

[5] These claims include: Claims 1-7, 11, 14, 16, 25, 28-29, 32, 35, 37, 46-47 of the '971 patent.

[6] Claims 6,7, 12, 23, 25, 29, 44, 46 and 47 of the '971 patent were all found by the district court judge to contain limitations "well known in the art".

skill in the art would have thought to combine these elements." His declaration, and that of Mr. Murray, examine the issue of invalidity thoroughly and credibly enough that we believe a reasonable juror could agree with the Intelpro experts in their obviousness evaluation. Given these declarations, the presence of a suggestion to combine is a genuine issue of material fact and, therefore, summary judgment is inappropriate.

The district court judge further found several claims[7] to be invalid as not "patentably distinct"[8] and we do not know whether the district court judge meant that the claims were obvious, anticipated, or invalid for some other reason altogether. An invention claimed in a patent application may be found to be "not patentably distinct" over another application or patent, see In re Berg, 140 F.3d 1428, 1431 (Fed.Cir.1998), but the term is not ordinarily applied to claims in an issued patent. Insofar as the district court judge found that these claims invalid as obvious or anticipated, or as otherwise "not patentably distinct" from the claims upon which they depend and which he found invalid, we vacate and remand due to the genuine issues of material fact discussed above. If the district court judge is finding these claims invalid for some other reason we vacate for findings that we can actually review as opposed to merely conclusory statements.

C. Invalidity for Insufficient Written Description

The district court also granted summary judgment declaring all claims of the '981 patent invalid under 35 U.S.C. s 112, p 1 for an insufficient written description. The first paragraph of 35 U.S.C. s 112 requires that: [t]he specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the

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[7] Claims 10, 12, 34, 42, and 43 of the '971 patent were all found by the district court judge to not be "patentably distinct".

[8] For instance, the district court judge wrote: The inventor has admitted that the sealing assembly disclosed by claim 10 is not patentably distinct subject matter.

same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

We note that in In re Wertheim, 541 F.2d 257, 262, 191 USPQ 90, 96 (CCPA 1976), our predecessor court held that "[t]he primary consideration is factual [in determining the sufficiency of the written description] and depends on the nature of the invention and the amount of knowledge imparted to those skilled in the art by the disclosure."

> Since its inception, the Court of Appeals for the Federal Circuit has frequently addressed the "written description" requirement of s 112. A fairly uniform standard for determining compliance with the "written description" requirement has been maintained throughout: "Although [the applicant] does not have to describe exactly the subject matter claimed, ... the description must clearly allow persons of ordinary skill in the art to recognize that [he or she] invented what is claimed." In re Gosteli, 872 F.2d 1008, 11-12, 10 USPQ2d 1614, 1618 (Fed.Cir.1989) (citations omitted).... The purpose of the "written description" requirement is broader than to merely explain how to "make and use"; the applicant must also convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention. The invention is, for purposes of the "written description" inquiry, whatever is now claimed.

Vas-Cath Inc. v. Mahurkar, 935 F.2d 1555, 1563-64 (Fed.Cir.1991) (footnote omitted) (emphasis in original).

The district court judge held that the claim language was not restricted to removable pipe systems, covering non-removable and removable pipe systems, while the "written description" only proved that the applicant had been in possession of a removable pipe system invention at the filing date. The district court judge,

therefore, found the '981 patent to be invalid pursuant to 35 U.S.C. s 112, p 1 for insufficient written description. Environ, slip op. at 10. The issue of whether the written description requirement has been satisfied is a question of fact. See Tronzo v. Biomet, Inc., 156 F.3d 1154, 1158, 47 USPQ2d 1829, 1832 (Fed.Cir.1998). Intelpro argues that in view of their originally-filed claim 1, their written description proves that the applicant was in possession of both removable and non-removable pipe systems at the date of filing of the application for the ' 981 patent. Clearly there is a genuine issue of material fact here and hence summary judgment is inappropriate. We, therefore, vacate and remand the district court's declaration of invalidity under s 112, p 1.

III. Infringement

Despite his granting summary judgment of invalidity of the three patents-in- suit in the declaratory judgment action, the district court judge still reviewed the issue of infringement, and granted summary declaratory judgment of non-infringement by Environ's GeoFlex of the '981 patent. The district court judge found the GeoFlex product to have a non-removable flexible inner pipe which fits snugly within an outer secondary pipe. In order to preserve validity, the district court judge construed the claims of the '981 patent to require the flexible inner pipe to be removable. He, therefore, found no infringement.

The precise language of the relevant claims says nothing about removability.[9] The district court judge looked to the

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[9] Claims 1 and 2 are the only independent claims in the '981 patent. The full text of claim 1 is reproduced below:

1. A secondarily contained piping system comprising:
(a) a flexible inner supply pipe;
(b) an outer secondary containment pipe;
(c) a first underground access chamber;
(d) a second underground access chamber spaced from the first underground access chamber;

drawings in the '981 patent, and the prosecution history of a related patent (U.S. Patent No. 5,098,221, or the '221 patent, which matured from a continuation-in-part ("CIP") of the original patent application which issued as the '981 patent). According to the district court judge, "the patent drawings depict an inner pipe which is not attached to the secondary containment pipe, and is therefore plainly removable." Environ, slip op. at 9. However, also according to the district court judge, "[i]n the GeoFlex product ... the inner pipe fits snugly within the outer pipe ... the inner pipe has, on its exterior surface, a series of small ribs or projections which create a very small space between the inner and outer pipes." Id. Analyzing these two statements, we come to the conclusion that the flexible inner pipe is not connected to the outer secondary pipe in either the GeoFlex product or the '981 patent. It is undisputed that the GeoFlex contains a flexible inner pipe that is not removable. Therefore, the drawings that the district court judge points to as clearly proving that the invention claimed is one with only a removable inner pipe do not so prove. At the very least, the district court judge needs to look elsewhere for a basis for concluding the '981 patent claims cover only removable inner pipes, so he is not reading limitations from the specification into the claims.

(e) said flexible inner supply pipe positioned to provide a path of fluid communication between said first underground acess chamber and said second underground access chamber;

(f) said flexible inner supply pipe having an exterior surface;

(g) said flexible inner supply pipe further having a first end and a second end;

(h) said secondary containment pipe surrounding at least a portion of the exterior surface of said inner supply pipe;

(i) a fluid source connected at the first end of the flexible inner supply pipe;

(j) a fluid outlet connected at the second end of the flexible inner supply pipe; (k) a first coupling connecting the flexible inner supply pipe to the fluid source, the first coupling being disposed within the first underground access chamber; and

(l) a second coupling connecting the flexible inner supply pipe to the fluid outlet, the second coupling being disposed within the second underground access chamber.

The district court judge, for a further basis, relied on the prosecution history of the '221 patent. During prosecution of the '221 patent, Osborne "argued that his invention was patentable over the prior art because of the removability/replaceability feature of his invention." Environ, slip op. at 9. The district court judge goes on to state that "[it] is appropriate to construe the patent claim in light of the prosecution history. There can be no doubt that the ability to repair or replace the inner pipe which carries the liquid, without having to excavate, has always been stressed as the principal accomplishment of the '981 invention." Id. at 10. A continuation-in-part application is defined by the Manual of Patent Examining Procedure ("MPEP") as "an application filed during the lifetime of an earlier nonprovisional application by the same applicant, repeating some substantial portion or all of the earlier nonprovisional application and adding matter not disclosed in the said earlier nonprovisional application." MPEP s 201.08. By definition, the invention of a CIP may be less than the invention of the parent application. We cannot, therefore, limit the claims of the parent application based solely on what is described by the inventor as the "invention" of the CIP. Furthermore, the main invention of the CIP cannot be relied upon to determine what "has always been stressed as the principal accomplishment of the '981 patent." Environ, slip op. at 10.

Environ principally argues that the '981 specification describes the invention as having a removable inner pipe and that even if the claim does not specify the removability of the inner pipe, each and every embodiment provided in the specification requires the inner pipe to be removable. We have held that "when the preferred embodiment is described in the specification as the invention itself, the claims are not necessarily entitled to a scope broader than that embodiment." Modine Mfg. Co. v. U.S. Int'l Trade Comm'n, 75 F.3d 1545, 1551, 37 USPQ2d 1609, 1612 (Fed.Cir.1996) (citing Autogiro Co. of America v. U.S., 384 F.2d 391, 398, 181 Ct.Cl. 55, 155 USPQ 697, 703 (1967)). We agree with Environ that if the specification only described the invention as having a removable inner pipe, then we would have to analyze this case under Modine.

However, we do not agree with Environ that the '981 specification is limited to removable inner pipe systems. The Summary of the Invention states that "[t]he present invention provides a piping system for conveying fluid from the outlet port of a pump to the inlet port of a fluid dispenser." '981 Pat., Col 1, II. 30-32. The system is further described in the specification as having a "primary pipe of flexible material" and a "secondary pipe of flexible material generally surrounding the primary pipe." '981 Pat., Col. 1, II. 32-24. We note that the specification does state that an advantage of the invention is that "the piping can be replaced without excavating or breaking ground at the installed tank site." We will not, however, in the absence of any other support, read a limitation into a claim, particularly when the claim has no verbal hook upon which to hang the limitation, simply because the inventor stated that it was an advantage.

We have found nothing in either the district court's opinion or the parties' arguments to persuade us that the claims of the '981 patent cover only inner pipes that are removable. We therefore vacate the district court's judgment of no infringement and remand for a decision concerning infringement based on the proper claim construction, as discussed above, which indicates that the '981 patent claims cover flexible inner pipes, whether or not they are removable.

CONCLUSION

The judgment, therefore, is in all respects,
VACATED AND REMANDED.

COSTS
Each party shall bear its own costs.

United States Court Of Appeals for the Federal Circuit

ORDER

A petition for rehearing en banc having been filed by the APPELLEE, and a response thereto having been invited by the court and filed by the APPELLANT, and the matter having first been referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on November 16, 1999.

FOR THE COURT,

s/Jan Horbaly
Jan Horbaly
Clerk

Dated: November 9, 1999

Cc: JOHN L. ALEX
JOSEPH R. DELMASTER, JR.

FILED
U.S. COURT OF APPEALS
FOR THE FEDERAL CIRCUIT
NOV 9, 1999
JAN HORBALY
CLERK

TOTAL CONTAINMENT V INTELPRO, 99-1059, -1060
(DCT – 97-CV-707)

NOTE: Pursuant to Fed.Cir.R. 47.6, this order is not citable as precedent. It is a public record.

ENVIRON PRODUCTS, INC.,
v.
INTELPRO CORPORATION and Total Containment, Inc.
TOTAL CONTAINMENT, INC. and Intelpro Corporation,
v.
ENVIRON PRODUCTS, INC.
Nos. CIV. A. 97-707, CIV. A. 97-1020.
United States District Court, E.D. Pennsylvania.
Sept. 29, 1998.

MEMORANDUM AND ORDER

FULLAM, Sr.J.

The issues to be decided on the pending cross-motions for summary judgment are: (1) the validity of several patents issued to Keith Osborne and now controlled by Total Containment, Inc. ("TCI"); and (2) assuming the validity of the patents at issue, whether the GeoFlex product manufactured by Environ Products, Inc.("Environ") infringes one of them.

I. Background

In recent years, environmental concerns have highlighted the desirability of preventing leakage and seepage from underground tanks and pipes containing or carrying petroleum products. Such leakage can occur because of corrosion or other chemical reactions between underground pipes and the liquid they carry, or between underground pipes and the surrounding soil. Leakage can, of course, also occur because of physical damage to the pipe itself, and can result from events ranging from natural or manmade disasters to the normal settling and shifting of the earth's surface.

In 1988, inventor Keith Osborne applied for a patent covering a secondarily- contained flexible underground piping system for use with hazardous materials such as gasoline. This system was envisioned as enabling removal of the inner pipe while the outer pipe remains in situ, thus eliminating the need for

excavation of the entire system in the event that repairs were needed. A critical feature of Osborne's system was the enclosure of all pipe couplings within access chambers. While Osborne's application was pending, inventor Michael Webb, then president of TCI, applied for and received a patent (U.S. Patent No. 4,971,477 ("the '477 Patent"), assigned to TCI) for a similar invention. Osborne requested an interference; after a lengthy and contentious proceeding against TCI, Osborne was declared the senior party and the '477 patent was nullified. In 1996, Osborne was issued U.S. Patent No. 5,553,971 ("the '971 Patent"). Prior to this, Webb left TCI to form Environ, and patented and began marketing its "GeoFlex" system, apparently with no little success. The hallmark of GeoFlex, described as a "coaxial, direct-bury" system, is that the inner pipe is not removable. TCI and other companies are now also marketing nonremovable systems.

In 1995, Osborne, now allied with TCI as a result of a settlement agreement (the subject of an earlier action in this court), applied for and received two patents based on his original application. The first, U.S. Patent No. 5,590,981 ("the '981 Patent"), deleted any mention of removability of the inner supply pipe. The second, U.S. Patent No. 5,567,083 ("the '083 Patent"), claims a removable inner pipe. Environ brought a declaratory judgment action against TCI (the assignee of the Osborne patents) and Intelpro Corporation ("Intelpro"), the owner of the patents at issue, seeking to have the Osborne patents declared invalid, or at least not infringed by Environ's products. TCI and Intelpro, for their part, filed a separate action alleging that Environ is wilfully infringing the '981 patent.

Environ contends that the Osborne patents are obvious in light of the prior art, and that many of their claims are anticipated by the 1987 publication, only recently brought to light, of a Japanese invention ("the Maeshiba reference") designed to prevent leakage from fuel pipes in earthquake- prone areas. Obviousness--that is, whether "the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art," see 35 U.S.C. s 103(a)--is a question of law based on factual inquiries concerning

(1) the scope and content of the prior art; (2) the differences between the prior art and the claims at issue; (3) the level of ordinary skill in the art; and (4) secondary considerations, such as commercial success, long-felt needs or the failure of others. See Graham v. John Deere, 383 U.S. 1, 17-18, 86 S.Ct. 684, 15 L.Ed.2d 545 (1966). In addition, obviousness based on a prior art reference requires that there be some suggestion or motivation for the inventor to modify that reference or to combine one or more references, either implicit or explicit in the art. See B.F. Goodrich Co. v. Aircraft Braking Systems Corp., 72 F.3d 1577, 1582-83 (Fed.Cir.1996). For a claim to be anticipated, on the other hand, requires that each and every element of that claim be present in a single prior art reference. See Gechter v. Davidson, 116 F.3d 1454, 1457 (Fed.Cir.1997). Anticipation is a question of fact, see Rowe v. Dror, 122 F.3d 473, 478 (Fed.Cir.1997), as is the issue of what the prior art teaches. See In re Graves, 69 F.3d 1147, 1152 (Fed.Cir.1995), cert. denied, 517 U.S. 1124, 116 S.Ct. 1362, 134 L.Ed.2d 528 (1996).

II. Anticipation by Maeshiba and Obviousness of the Osborne Patents.

A. Prior art.

Thanks in no small part to the litigiousness of the parties, this Court has the benefit of a much larger number of prior art references than the Patent Examiner considered. A list of the most relevant references, including the key claims of each, follows:

1. U.S. Patent No. 745,351 (Hungerford 1903), a water supply system, discloses a rigid supply pipe with couplings disposed within underground chambers (accessible via manholes).

2. U.S. Patent No. 3,721,270 (Wittgenstein 1973), a fuel piping system designed to reduce the risk of pollution, discloses a secondarily-contained pipe and multiple access chambers.

3. U.S. Patent No. 2,507,597 (Holdridge 1950), an airport fueling system, discloses couplings disposed in covered pits.

4. U.S. Patent No. 4,639,164 (Pugnale 1987), an underground tank sump and piping system designed to prevent leaks and spills into the environment, discloses double-walled pipes that run between underground sumps and above- ground dispensers.

5. Owens-Corning product literature (with a copyright date of 1985) discloses a pump disposed within an underground containment sump to prevent spills and leakage from the pump and its piping connections. A means for sensing such leakage is also disclosed.

6. U.S. Patent No. 4,159,027 (Caillet 1979) discloses a compression fitting.

7. U.S. Patent No. 1,188,446 (Haines 1916), a gasoline supply system, discloses a second flexible supply pipe connected by a fitting to the supply pipe.

8. British Patents 1,374, 874 and 1,390,280 and U.K. Patent Application 2,023,296 disclose means for detecting leaks within the space between flexible double-walled pipes and/or inner and outer pipes.

9. U.S. Patent No. 2,336,150 (Horvath 1943), an airport gasoline dispensing system, discloses a flexible pipe connected to the supply pipe.

10. U.S. Patent No. 4,062,376 (McGrath 1977), a service connection between and water main and a meter inside a building, discloses a service conduit that is removable and replaceable through a leakage conduit with minimal excavation.

11. U.S. Patent No. 648,128 (Kinniburgh 1900), a system for laying supply pipes, discloses a removable and replaceable inner pipe enclosed in an outer pipe.

Whether the Osborne patents are obvious in light of the foregoing references is a close question. It is one that need not be

answered however, in light of the recent discovery of the Maeshiba reference. There can be no serious dispute[1] that Maeshiba clearly discloses a secondarily-contained gasoline piping system with a flexible inner pipe housed within an outer containment pipe, and two spaced access chambers with couplings disposed within the chambers.

B. Comparison of the Osborne patents to the prior art.

The '083 Patent in its entirety, as well as many claims of the '981 and '971 Patents, are anticipated by Maeshiba; the remaining claims are obvious in light of prior art references, either alone or in combination. Specifically, Maeshiba discloses all elements of all claims (1 and 2) of the '083 Patent, all elements of claims 1-3 and 6 of the '981 Patent, and all elements of claims 8-9, 13, 15, 17-22, 24, 26-27 and 36 of the '971 Patent. The remaining claims of the '981 Patent (4, 5, 7, and 8) are disclosed by Hungerford, Wittgenstein and Holdridge. The elements of claim 1 of the '971 Patent are disclosed by Maeshiba, Pugnale, the Owens-Corning product literature, Wittgenstein and/or Hungerford. The compression fitting disclosed in claims 2, 3 and 4 of the '971 Patent is well-known in the art, and is disclosed, for example, by Caillet. All elements of claim 5 are disclosed by Maeshiba, Pugnale, the Owens-Corning publication, Hungerford and/or Wittgenstein. Liquid sensors (disclosed by claims 6 and 7) are also disclosed by the British patents, the U.K. patent application and the Owens-Corning literature; moreover, inventor Osborne concedes that these are well known in the art. The inventor has admitted that the sealing assembly disclosed by claim 10 is not patentably distinct subject matter. The "annular cuff" described in claim 11 also appears in the Owens- Corning product literature. The inventor has admitted that the sealing assembly described in claim 12 is well known in the art and not patentably distinct. Haines and Horvath disclose the second supply pipe described by

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[1] While the parties have procured dueling experts, I find there to be no material dispute as to the operative facts--that is, what appears on the face of the patents and other documents at issue. Construction of the claims encompassed by a patent, of course, is a question of law for the court. See Markman v. Westview Instruments, Inc., 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996).

claim 14 of the '971 Patent. The second flexible supply pipe connected by a "fitting" to the supply pipe described in claim 16 is likewise disclosed by Haines and Horvath. The gravity drainage described in claim 23 is disclosed by Maeshiba; in any event it is likely that this method of drainage has been in constant use since the Stone Age. The "fluid sensing means" of claim 25 is disclosed by the British patents and the U.K. patent application, and are admitted to be well known in the art. All elements of claim 28 are disclosed by Maeshiba, Hungerford and/or Wittgenstein. Again, leak sensors as described in claim 29 are admittedly well known in the art, and are disclosed by the British patents and the U.K. patent application. An access chamber located beneath a fuel dispenser with a coupling located in at least one of the access chambers (claim 30) is present in Maeshiba. Similarly, Maeshiba discloses one access chamber beneath a fuel dispenser with another access chamber not located beneath a fuel dispenser (claim 31). The elements of claim 32 are disclosed by Maeshiba and/or Wittgenstein. Maeshiba's outer containment pipe is flexible (claim 33). Claim 34's "annular cuff and tightening band assembly" is not patentably distinct. The elements of claim 35 are disclosed by Maeshiba, Wittgenstein and/or Hungerford; the use of multiple access chambers would be an obvious modification to Maeshiba. All elements of claim 37 are present in Maeshiba, Wittgenstein and/or Hungerford. The flexible outer pipe described in claim 38 is present in Maeshiba; therefore, the pipe may be bent. Claim 39 describes the ability of the containment pipe between adjacent chambers to bend 90 o; the Maeshiba reference states "it is possible to form protective pipe ... into the same shape as required at elbow part ... of gasoline suction pipe ... which has a right-angle bend...." Claim 40 requires that the secondary containment pipe be large enough to permit substitution of larger diameter supply pipes; this is inherent in Maeshiba, where there is a space between the inner and outer pipes great enough to permit the removal and replacement of the former. Claim 41 specifies that the outer pipe be made of reinforced rubber or plastic; Maeshiba's outer pipe "uses a flexible material, for example, oil-resistant polyester resin or other oil resistant rubber. And by embedding spiral shape steel wire ... in the peripheral wall of protective pipe ..., it bears the underground pressure of the earth and achieves a balance between flexibility and hardness according to the fluctuation in the

underground layer." The sealing assembly disclosed by claims 42 and 43 is admittedly not patentably distinct; again, the cuff described in claim 44 is also present in the Owens- Corning product literature, and presumably elsewhere. Claim 45 requires that the outer pipe be large enough to accommodate the bend radius of the inner supply pipe; this is inherent in Maeshiba (as it would be in any system envisioning a removable, replaceable inner pipe). Leak sensors (claims 46 and 47) are disclosed by the British patents and the U.K. patent application, and are admitted to be well-known in the art. Finally, claim 48 of the '971 patent requires that the ratio of the diameter of the inner pipe to the diameter of the outer pipe be approximately 2:4. Figure 2 of the Maeshiba publication shows a cross-section of the inner and outer pipes, where the inner pipe is depicted as having roughly one-half the diameter of the outer pipe.

C. Level of ordinary skill in the art.

The parties are in rare agreement that a person of ordinary skill in the art need not have an advanced degree or an engineering background; indeed, the main requirement appears to be on-the-job experience with storage and containment of hazardous fluids.

D. Secondary considerations.

TCI contends that the commercial success of Osborne's invention--including the license revenues the patents have generated for the inventor--and the fact that it filled a long-felt need while others tried and failed, are indicative of its non-obviousness. Assuming this to be true, secondary considerations will not overcome a clear showing of obviousness based on the prior art, which remains the primary focus of the inquiry. And it bears pointing out that at least three inventors--Osborne, Webb, and Maeshiba--arrived at essentially the same solution at more or less the same time, which tends to support a finding of obviousness. Mr. Osborne may have been first off the mark in commercially exploiting the invention, but Maeshiba was still first in time. The essence of Osborne's invention is fully present in the Maeshiba reference, with the exception of some peripheral and well-known elements and design choices (e.g. compression

fittings, an integral annular cuff, leak sensors, etc.); the suggestion to combine Maeshiba with one or more other references is implicit in the prior art, given the system's intended purpose.

III. Infringement

Having found that the Osborne patents are invalid for the reasons expressed above, it is not necessary to reach the issue of whether Environ's products infringe upon them. Nevertheless, given the lengthy history of litigation between the parties and the near-certainty of an appeal from this decision, I will assume for purposes of the following discussion that the Osborne patents are valid.

The '981 Patent contemplates that liquids will be transported in a flexible inner pipe made of materials highly resistant to chemical damage or corrosion, surrounded by a larger outer pipe which provides protection against damage, and constructed in such a way that any liquid which might leak from the inner pipe will still be contained in the outer pipe and will flow to a sump, from which it can be readily removed without environmental damage. In addition, because the pipe is flexible, fewer joints are required--past experience suggests that joints are more prone to leakage and damage--and the inner pipe can be extracted for repair or replacement, without the need for excavation of the outer pipe. The embodiment of the invention shown in Osborne's patent application shows a rather large outer pipe, and a significant space between the inner and outer pipes.

In the GeoFlex product, on the other hand, the inner pipe fits snugly within the outer pipe, and cannot be removed. Although it has the outward appearance of being but a single pipe, made of two different substances laminated together, upon close examination it appears that the inner pipe has, on its exterior surface, a series of small ribs or projections which create a very small space between the inner and outer pipes. It is claimed that this spacing is sufficient to contain any seepage from the inner pipe, so as to prevent dispersal into the surrounding soil.

The precise issue to be resolved is whether the removability of the inner pipe is an inherent feature of the '981 patent, or whether the claims should be read to cover all forms of double piping. The language of claim 1 of the '981 patent does not clearly specify, one way or the other. It describes "a secondarily contained piping system comprising: (a) a flexible inner supply pipe; (b) an outer secondary containment pipe; ... (e) said flexible inner supply pipe positioned to provide a path of fluid communication...."

On the other hand, the patent drawings depict an inner pipe which is not attached to the secondary containment pipe, and is therefore plainly removable. While a court may not import specification limitations into a patent claim, a claim may be read in light of the specification. And, more importantly, the prosecution history shows that Mr. Osborne, in the prosecution of a related patent (U.S. Patent No. 5,098,221, or the '221 patent, a continuation-in-part of the original application) argued that his invention was patentable over the prior art because of the removability/replaceability feature of his invention.

It is appropriate to construe the patent claim in light of the prosecution history. See Laitram Corp. v. Moorehouse Indus., Inc., 143 F.3d 1456, 1461 (Fed.Cir.1998). There can be no doubt that the ability to repair or replace the inner pipe which carries the liquid, without having to excavate, has always been stressed as the principal accomplishment of the '981 invention. The recent attempts to characterize the removability feature as merely one "preferred embodiment" of the basic invention cannot overcome the prosecution history, and can properly be dismissed as litigation-inspired afterthoughts. Environ's product does not infringe the '981 Patent.

IV. Invalidity of the '981 Patent under s 112

Even were I to find that the '981 Patent claims are not limited to a removable system, the '981 Patent would be invalid pursuant to 35 U.S.C. s 112, because it fails to fully and completely describe such an invention in the patent specification. While Osborne deleted any mention of removability from the

claims of the '981 Patent, the remainder of the patent is replete with references to the removability and replaceability features of the invention; it is silent as to how the invention would function or appear as a nonremovable system. Environ must prove by clear and convincing evidence that the removability/replaceability feature was an essential element of the original invention, but was omitted from the claims of the '981 Patent. Environ has met its burden.

An Order follows.

ORDER

AND NOW, this day of September, 1998, IT IS ORDERED:

1. Environ's motion for summary judgment of invalidity of the Osborne patents is GRANTED.

2. Environ's motion for summary judgment on the issue of noninfringement is GRANTED.

3. Environ's motion for summary judgment of invalidity of the '981 patent under 35 U.S.C. s 112 is GRANTED.

4. TCI's motion for partial summary judgment is DENIED.

5. Environ's motion for pretrial interpretation of the claims of the patents- in-suit is DISMISSED AS MOOT.

6. All pending motions to preclude evidence are DENIED.

7. The motion by non-party White and Williams LLP to quash subpoena is DISMISSED AS MOOT.

8. IT IS DECLARED that the claims of U.S. Patents Nos. 5,567,083, 5,590,981 and 5,553,971 are INVALID pursuant to 35 U.S.C. ss 102 and 103.

9. IT IS DECLARED that Environ's GeoFlex product does not infringe U.S. Patent No. 5,590,981.

10. IT IS DECLARED that the claims of U.S. Patent No. 5,590,981 are INVALID pursuant to 35 U.S.C. s 112.

Fullam, Sr.J.

IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

99-1059, -1060

Total Containment, Inc.
v.

Intelpro Corporation
v.

Environ Products, Inc.

Decided September 15, 1999
By Circuit Judges Michel, Clevenger and Schall.

Request To Make An Opinion Precedential

Requestor: Joseph R. DelMaster, Jr.
SEIDEL, GONDA, LAVORGNA
& MONACO, P.C.
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Philadelphia, PA 19102

FILED
U.S. Court of Appeals For
The Federal Circuit
Nov 19 1999
Jan Horbaly
Clerk

The motion is DENIED

Nov 19 1999 — Date

For the court
/s/ Jan Horbaly
Jan Horbaly
Clerk

United States Constitution - Article III

Section 2.

The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority;--to all Cases affecting Ambassadors, other public ministers and Consuls;--to all Cases of admiralty and maritime Jurisdiction;--to Controversies to which the United States shall be a Party;--to Controversies between two or more States;--between a State and Citizens of another State;--between Citizens of different States;--between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects.

In all Cases affecting Ambassadors, other public Ministers and Consuls, and those in which a State shall be Party, the supreme Court shall have original Jurisdiction. In all the other Cases before mentioned, the supreme Court shall have appellate Jurisdiction, both as to Law and Fact, with such Exceptions, and under such Regulations as the Congress shall make.

The Trial of all Crimes, except in Cases of Impeachment, shall be by Jury; and such Trial shall be held in the State where the said Crimes shall have been committed; but when not committed within any State, the Trial shall be at such Place or Places as the Congress may by Law have directed.

Federal Rules of Civil Procedure

Rule 25. Substitution of Parties

(a) Death.

(1) If a party dies and the claim is not thereby extinguished, the court may order substitution of the proper parties. The motion for substitution may be made by any party or by the successors or representatives of the deceased party and, together with the notice of hearing, shall be served on the parties as provided in Rule 5 and upon persons not parties in the manner provided in Rule 4 for the service of a summons, and may be served in any judicial district. Unless the motion for substitution is made not later than 90 days after the death is suggested upon the record by service of a statement of the fact of the death as provided herein for the service of the motion, the action shall be dismissed as to the deceased party.

(2) In the event of the death of one or more of the plaintiffs or of one or more of the defendants in an action in which the right sought to be enforced survives only to the surviving plaintiffs or only against the surviving defendants, the action does not abate. The death shall be suggested upon the record and the action shall proceed in favor of or against the surviving parties.

(b) Incompetency.

If a party becomes incompetent, the court upon motion served as provided in subdivision (a) of this rule may allow the action to be continued by or against the party's representative.

(c) Transfer of Interest.

In case of any transfer of interest, the action may be continued by or against the original party, unless the court upon motion directs the person to whom the interest is

transferred to be substituted in the action or joined with the original party. Service of the motion shall be made as provided in subdivision (a) of this rule.

(d) Public Officers; Death or Separation From Office.

(1) When a public officer is a party to an action in an official capacity and during its pendency dies, resigns, or otherwise ceases to hold office, the action does not abate and the officer's successor is automatically substituted as a party. Proceedings following the substitution shall be in the name of the substituted party, but any misnomer not affecting the substantial rights of the parties shall be disregarded. An order of substitution may be entered at any time, but the omission to enter such an order shall not affect the substitution.

(2) A public officer who sues or is sued in an official capacity may be described as a party by the officer's official title rather than by name; but the court may require the officer's name to be added

Supreme Court, U.S.
FILED
APR 10 2000
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(2)

No. 99-1325

IN THE

Supreme Court of the United States

ENVIRON PRODUCTS, INC.,

Petitioner,

v.

INTELPRO CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

Whether the court of appeals acted properly in concluding that a party to the trial court proceedings below had standing to appeal the judgment entered against it where that party:

(a) was an original, necessary and indispensable party to the trial court actions;

(b) transferred its present legal interest in the patents-in-suit *pende lite* while retaining interests in the patents;

(c) continued under Fed. R. Civ. P. 25(c) as the party representing the ownership interest in the patents-in-suit through the entire actions;

(d) had judgment entered against it;

(e) suffered immediate economic injury as a result of the judgment; and

(f) received threats of claims against it as a result of the judgment.

Whether the court of appeals acted within its sound discretion by designating its own opinion, which is consistent with its own precedent and the binding authority of the Court, and which presents no issue of exceptional importance, as non-precedential.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, Intelpro Corporation has no parent corporation. No publicly held company owns ten percent or more of the stock of Intelpro Corporation.

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STATEMENT OF JURISDICTION

Intelpro Corporation ("Intelpro") respectfully submits this brief in opposition to the petition for a writ of certiorari filed by Environ Products, Inc. ("Environ"). Environ does not question the Federal Circuit's opinion on the merits. Environ questions only the Federal Circuit's acknowledgment that Intelpro, an original, necessary and indispensable party, a continuing party throughout the district court proceedings, and a party aggrieved by the district court judgment, had appellate standing to contest a judgment entered against it in continuing patent actions.

The petition presents no issue warranting review by the Court. The Federal Circuit's recognition of Intelpro's standing is consistent with and controlled by the application of well-settled legal principles. In its petition, Environ asserts that, despite "intensive" research, it was unable to locate any authority to support the Federal Circuit's application of Fed. R. Civ. P. 25(c). (Petition at 4 n.1; 14; 17). Environ apparently failed to look at Intelpro's briefs submitted to the Federal Circuit, which contain precisely such authority. (*See* C.A. Response to Petition for Rehearing at 1, 3-6, 8-9).

Indeed, Environ has ignored the entire body of case law, including law from the Court, establishing that Fed. R. Civ. P. 25(c) is procedural, applies in a court of appeals proceeding and does not expand a federal court's jurisdiction in contravention of the Constitution. *See, e.g., Navarro Savings Association v. Lee*, 446 U.S. 458, 459 n.1 (1980); *Nat. Res. Defense Council, Inc. v. Texaco Refining and Mkg.*, 2 F.3d 493, 506 (3rd Cir. 1993); *Minnesota Mining & Mfg. v. Eco Chem, Inc.*, 757 F.2d 1256, 1262 (Fed. Cir. 1985);

Covington Grain Co. v. Deal, 638 F.2d 1362, 1364 (5th Cir. 1981); *Hillbrands v. Far East Trading Co.*, 509 F.2d 1321, 1323 (9th Cir. 1975); *General Battery Corp. v. Globe-Union, Inc.*, 100 F.R.D. 258, 262 (D. Del. 1982).

Supreme Court Rule 10 indicates that review on a writ of certiorari is not a matter of right and will be granted only for compelling reasons. The Federal Circuit's decision is not in conflict with any decisional law, and it does not represent a departure from the accepted and usual course of judicial proceedings, and it does not decide any important question of federal law that has not been, but should be, settled by the Court. There is no compelling reason for the Court to review this case. S. Ct. Rule 10. Accordingly, the Court should deny the petition.

COUNTER-STATEMENT OF THE CASE

Environ's statement of the case omits and/or seriously misstates several important facts. In that regard, at least four principal omissions/misstatements require correction for present purposes:

1. The district court proceedings and judgment also involved a separate, contemporaneously brought, declaratory judgment action by Environ against Intelpro and its licensee Total Containment, Inc. ("TCI") seeking, *inter alia*, a judgment that the patents-in-suit are invalid. (C.A.Jt.App. at A203). Environ further fails to state that the action against Environ was initiated by TCI in its name alone, and that Intelpro joined in the action in response to Environ's motion to dismiss for failure to join Intelpro, a necessary and indispensable party. (C.A.Jt.App. at A151, A173). Jurisdiction was vested in the district court by virtue of

28 U.S.C. §§ 1338 and 2201, and the actions were treated as if consolidated below.

2. Environ states that OPW, Intelpro's successor in title to the patents, did not attempt to join the district court proceedings at any time. (Petition at 3). Environ's statement is hypocritical. Environ fails to state that during the district court proceedings, OPW conferred with Environ and advised Environ that OPW desired to become a party to the action, substituting OPW for Intelpro in the district court litigation. At that time, Environ's counsel advised OPW that it would object to any efforts to substitute and asserted that substitution might interfere with or delay the then scheduled trial date. (C.A.Jt.App. at A6182-83). Environ also took the position that OPW did not have the right to participate in the litigation because, Environ claimed, a litigation agreement between Intelpro and its licensee/co-party TCI had effectively "disenfranchised" OPW with respect to the litigation. (C.A.Jt.App. at A6185-86). Based upon Environ's stated objection to OPW joining the action, Intelpro's and OPW's desire not to delay the trial of this matter, and because Fed. R. Civ. P. 25(c) permits the action to be continued by the original party, Intelpro and OPW did not seek substitution.

3. Environ implies that Intelpro asserted only loss of revenue as the sole basis for its appellate standing. (Petition at 4). While the significant economic injury Intelpro suffered as a direct result of the district court judgment demonstrates the judgment aggrieved Intelpro and establishes that Intelpro has and had an appealable interest, Intelpro relied upon additional bases for its appellate standing.

Intelpro owned the patents-in-suit at the commencement of both district court actions and was a proper party, indeed as Environ argued below a necessary and indispensable party, to the district court actions. (C.A. Brief for Appellate at xi-xii). In accordance with Fed. R. Civ. P. 25(c), Intelpro remained a proper party throughout the lower court actions as the party representing the ownership interest in the patents-in-suit. Intelpro relied upon its original and continuing party status as one basis for its appellate standing. *Id.* at xiii; Fed. R. App. P. 3(c) ("a notice of appeal must specify the party or parties taking the appeal. . . .").

Intelpro also established it had standing independent of its original party status. Intelpro's transfer of legal title to the patents-in-suit to OPW was in exchange for consideration which included OPW's obligation to remit to Intelpro, on an ongoing basis, an amount equal to any royalties received under the licenses covering the patents-in-suit. (C.A.Jt.App. A6040). Thus, Intelpro retained a beneficial interest in the patents-in-suit. *See Courtner v. Israel*, 732 F.2d 267, 271 (2nd Cir. 1984) (discussing standing of a beneficial owner of a copyright and quoting the legislative history for Section 501(b) of the Copyright Act, 17 U.S.C. § 501(b), to wit: "A 'beneficial owner' for this purpose would include, for example, an author who had parted with legal title to the copyright in exchange for percentage royalties based on sales or license fees."). Intelpro also retained a future legal interest in title to the patents. (C.A.Jt.App. at A6051); (Petition App. at 24).

Intelpro established that before entry of the district court judgment against it, Intelpro was receiving significant royalties paid by TCI. (C.A.Jt.App. at A1521-30; A1639-40). Based on the district court's judgment against

Intelpro, TCI withheld hundreds of thousands of dollars of outstanding royalty payments and contended it was no longer obligated to make royalty payments. Based on the district court's adverse judgment, TCI further contended that it had claims against Intelpro resulting from the impact of the judgment on an earlier settlement agreement between Intelpro and TCI that resolved a patent interference involving the patent application that matured into the patents-in-suit. These injuries are of record. (C.A.Jt.App. at A62179-80).

Thus, Intelpro established it had suffered actual injury (the immediate loss of hundreds of thousands of dollars of revenue) and had threatened injury (claims against Intelpro based on the judgment), both of which were personal to Intelpro, directly traceable to the challenged district court judgment (declarations of invalidity and noninfringement) and redressable by a favorable decision (reversal/vacation of the declarations of invalidity and noninfringement). The fact that the district court judgment financially harmed Intelpro was not disputed by Environ below. (*See* C.A. Brief of Appellee at xix (wherein Environ stated that Intelpro's assertion that it "will suffer financial harm if the judgment is not reversed . . . may be assumed true")).

4. Environ includes within its statement of the case an argumentative narrative which seriously misstates the actions of the Federal Circuit and the state of the law concerning the standing issue at hand. Contrary to Environ's argument, and consistent with Circuit Judge Clevenger's comments during oral argument, the decisional law recognizes that the "case or controversy" requirement exists throughout all stages of the judicial process and the application of Fed. R. Civ. P. 25(c) is consistent with that requirement. Case law, known to, but totally ignored by Environ,

establishes that Rule 25(c) applies in a court of appeals and does not expand a court's jurisdiction in contravention of the Constitution.

Further, and contrary to Environ's argument, Intelpro independently showed a "direct and palpable" interest in the outcome of the appeal securing its standing — and the jurisdiction of the court — on appeal. The Federal Circuit's analysis followed the guidelines established by the Court and its decision is consistent with the case law. Thus, no question of exceptional importance was involved and nothing warranted a precedential opinion. Moreover, the status of the opinion as non-precedential did not, in any way, diminish the right of Environ to seek review of the judgment.

Finally, this case has nothing to do with the questions presented in *Nelson v. Adams, U.S.A. Inc.*, S. Ct. Case No. 99-502, concerning whether a court can assess attorney fees against a non-party shareholder/officer of a corporate party which lost a patent infringement law suit. The questions presented by Environ here do not relate to attorney fee awards, or to the parties liable for such awards, or to joinder of a patent applicant/shareholder/officer as a party in a case instituted by his corporation, or to the district court's discretion to join parties post judgment. Additionally, on March 27, 2000, the Court heard oral argument in the *Nelson* case. Therefore, the Court's decision to review *Nelson v. Adams* has no bearing on review of this case. S. Ct. Rule 27.3.

REASONS FOR DENYING THE WRIT

Environ fails to provide any compelling grounds that justify requesting the Court's "commitment of scarce judicial resources" to grant certiorari and review the questions presented in the petition. *See City of Oklahoma City v. Tuttle*, 471 U.S. 808, 816 (1985).

The recognition of Intelpro's appellate standing follows from an unremarkable and straightforward application of Fed. R. Civ. P. 25(c). *See Navarro Savings*, 446 U.S. at 459 n.1. As the Federal Circuit opinion noted, Rule 25(c) provides "[i]n case of any transfer of interest, the action may be continued by or against the original party. . . ." The Federal Circuit, citing its own earlier precedent, recognized that Intelpro, an original and continuing party to the surviving patent actions, had appellate standing to contest the judgment entered against it. The Federal Circuit's decision represents neither new law nor a departure from the accepted and usual course of judicial proceeding since it follows precedent from among others, the Court and the Federal Circuit. In any event, Intelpro's appellate standing is independently confirmed when the general principles of standing are applied to the particular, unique facts of this case.

I. Decisional Law Has Already Held That Fed. R. Civ. P. 25(c) Does Not Create Jurisdiction Beyond The Limits of Article III And Applies Beyond the District Court

Environ's petition turns on its assertion that application of Fed. R. Civ. P. 25(c) expands a court's jurisdiction in contravention of the Constitution. Yet, Environ does not mention a single case applying Rule 25(c). This is because there is no conflict among the circuits on this issue. The law

is uniform, from the Court and down, that Fed. R. Civ. P. 25(c) does not expand a federal court's jurisdiction in contravention of the Constitution.

Dispositive of Environ's petition (and cited by Intelpro in the briefing below but ignored by Environ in its Petition), the Court has already directly applied Fed. R. Civ. P. 25(c) outside of the district court proceedings to permit the original parties to continue the litigation on appeal, after a transfer of interest. *Navarro Savings*, 446 U.S. at 459 n.1. In *Navarro*, the plaintiffs were trustees of Fidelity Mortgage Investors, a business trust. The plaintiffs filed the complaint as representatives of Fidelity. The district court dismissed the plaintiffs' action for lack of diversity and federal question jurisdiction, holding that the trust as a party included all of its beneficiaries, some of whom were citizens of the same state as defendant. During the pendency of the appeal, there was a change of interest when Fidelity, the business trust, merged into a Delaware corporation. The Fifth Circuit appeal and the appeal to the Court were maintained in the name of the original district court plaintiffs, the trustees, even though the transfer of interest had occurred. *See Lee v. Navarro Savings*, 597 F.2d 421 (5th Cir. 1979), *aff'd*, 446 U.S. 458 (1980). The Court expressly permitted the original plaintiffs to continue the litigation, holding:

> Fidelity merged into a Delaware corporation in 1978, but Federal Rule of Civil Procedure 25(c) permits the original parties to continue the litigation. Jurisdiction turns on the facts existing at the time the suit commenced. *Louisville, N.A. & C.R. Co. v. Louisville Trust Co.*, 174 U.S. 552, 556, 19 S. Ct. 817, 818, 43 L. Ed. 1081 (1899).

Navarro Savings, 446 U.S. at 459 n.1.

Thus, the Court's precedent mandates the Federal Circuit's decision and underscores the legal error in Environ's assertion that Fed. R. Civ. P. 25(c) does not permit the original parties to continue the litigation beyond the district court phase.

Environ erroneously argues that the application of Fed. R. Civ. P. 25(c) on appeal runs afoul of the case or controversy requirement of Article III. The case-or-controversy requirement, however, subsists through all stages of federal judicial proceedings. *Arizonans for Official English v. Arizona*, 520 U.S. 43, 67 (1997). "The requisite personal interest that must exist at the commencement of the litigation (standing) must continue throughout its existence (mootness)." *United States Parole Comm'n v. Geraghty*, 445 U.S. 388, 397 (1980) (quoting Monaghan, Constitutional Adjudication: The Who and When, 82 Yale L.J. 1363, 1384 (1973)).

Environ did not move to substitute OPW for Intelpro and even indicated it would oppose any attempt to join OPW in the action. Now, Environ tries to stand Fed. R. Civ. P. 25(c) on its head. According to Environ's logic, if a party does not move to substitute the transferee for the transferor, or even if a party unsuccessfully moves to substitute, the parties to the change of interest have no right to appeal an adverse judgment on the merits. Taken to its logical extent, according to Environ's argument, if application of Rule 25(c) on appeal is in contravention of Article III standing principles, for the same reasons its application in the district court is in contravention of Article III.

In particular, if Intelpro's transfer of title in the patents-in-suit works a loss of Intelpro's standing, then, under

Environ's logic, that loss of standing occurred at the time of the transfer during the district court phase, and the district court judgment, therefore, would be of no effect. *Liner v. Jafco, Inc.*, 375 U.S. 301, 306 n.3 (1964) (Article III does not permit federal courts to decide moot cases).

Federal courts have uniformly rejected Environ's argument that Rule 25(c) impermissibly extends the Article III case or controversy requirement. Fed. R. Civ. P. 25(c) permits, but does not require, any party to move for substitution upon a change of interest. As the Court of Appeals for the Third Circuit stated:

> Rule 25(c) clearly states that "[i]n case of any transfer of interest, the action may be continued by or against the original party, unless a court upon motion directs the person to whom the interest is transferred to be substituted. . . ." One commentator has noted that "[t]he most significant feature of Rule 25(c) is that it does not require that anything be done after an interest has been transferred." 7C C. Wright, A. Miller & M. Kane, Federal Practice and Procedure § 1958, at 555(2d ed. 1986). Joinder of the transferee is unnecessary unless the trial court makes a discretionary determination that the transferee's presence would facilitate the case. *Id.* at 555-57.

Nat. Res. Defense Council, Inc. v. Texaco Refining and Mkg., 2 F.3d at 506 (recognizing that Rule 25(c) does not require substitution when a transfer of interest occurs *pende lite* and that the original party can continue the litigation through appeal).

Contrary to Environ's argument, ". . . Rule 25(c) is not designed to create new relationships among parties to a suit but is designed to allow the action to continue unabated when an interest in the lawsuit changes hand." *Covington Grain Co. v. Deal*, 638 F.2d at 1364. The Rule provides the mechanics for continuing an action which survives the transfer under applicable substantive law. *Hilibrands v. Far East Trading Co.*, 509 F.2d at 1323. "The rule expressly permits parties to continue in an action, even if they do not remain the real party in interest, as long as the cause of action itself survives the transfer of interest." *ELCA Enters. Inc. v. Sisco Equip. Rental & Sales, Inc.*, 53 F.3d 186, 191 (8th Cir. 1995).

These cases, as well as others, consistently demonstrate that the application of Fed. R. Civ. P. 25(c) does not expand the court's jurisdiction in contravention of the Constitution. By way of further example, in *General Battery*, the district court examined the standing issue in the context of a patent assignment *pende lite*. 100 F.R.D. at 261-63. After an in-depth analysis, the district court determined that Rule 25(c) is a valid procedural rule that is necessary for the efficient functioning of the federal courts and that it does not work an expansion of the court's jurisdiction in contravention of Fed. R. Civ. P. 82 or the Constitution. *Id.* at 263.

In *Minnesota Mining*, the Federal Circuit determined, in the context of substituting a successor-in-interest for the original party, that Rule 25(c) did not extend jurisdiction beyond that constitutionally permitted. 757 F.2d at 1261-64. The Federal Circuit also examined the application of Rule 25(c) by cases in other contexts and found: "These cases effectively, if implicitly, stand for the proposition that substitution of a party under Rule 25(c) does not violate the

proscription of Rule 82 that the rules 'not be construed to extend or limit the jurisdiction of the United States district courts.' " *Id.* at 1262.

These cases demonstrate that federal courts have uniformly determined that applying Rule 25(c) does not run afoul of Rule 82 or Article III. *Willy v. Coastal Corp.*, 503 U.S. 131, 135 (1992) (Rules apply only if their application will not impermissibly expand the judicial authority conferred by Article III).

There is no issue that the patent actions here survived the transfer of interest in legal title of the patents-in-suit from Intelpro to OPW. There also is no issue that the district court and the court of appeals had subject matter jurisdiction of the causes of action. 28 U.S.C. §§ 1295(a)(1), 1338 and 2201. Thus, recognizing Intelpro's right to continue the litigation is merely a procedural application of Rule 25(c). *Sibbach v. Wilson & Co., Inc.*, 312 U.S. 1, 10 (1940) (Rules Enabling Act restricted in its operation to matters of pleading and court practice and procedure).

In determining that the procedural aspects of Fed. R. Civ. P. 25(c) applied on appeal to Intelpro, the Federal Circuit looked to the literal language of Rule 25(c) and to the applicable provisions of the Federal Rules of Appellate Procedure. While Environ is critical of the Federal Circuit's approach, this is the exact same approach the Court used to determine whether Fed. R. Civ. P. 11 applied on appeal. *Cooter & Gell v. Hartmax Corp.*, 496 U.S. 384, 407-09 (1990) (analyzing the language of Fed. R. Civ. P. 11 and Fed. R. App. P. 38 to determine whether Rule 11 applied to appellate practice).

The court of appeals' opinion noted the plain language of Rule 25(c) provides "[i]n case of any transfer of interest, the action may be continued by or against the original party." (Petition App. at 24). The opinion also noted that while for most of the part the Federal Rules of Civil Procedure govern district court proceedings, several Rules apply on appeal. For example, as the panel's opinion noted Fed. R. Civ. P. 52(a) dictates the appellate standard of review of the district court's findings of fact. (Petition App. at 25); *See Anderson v. City of Bessemer City*, 470 U.S. 564, 573 (1985) ("[T]he standard governing appellate review of a district court's finding of discrimination is that set forth in Federal Rule of Civil Procedure 52(a). . . ."); *see also Newman-Grain, Inc. v. Alfonzo-Larrain*, 490 U.S. 826, 832-37 (1989) (applying the policies informing Fed. R. Civ. P. 21 to the courts of appeals).

Consistent with the approach of the Court in *Cooter*, the court of appeals also looked to the Federal Rules of Appellate Procedure, and in particular, Fed. R. App. P. 43, and found no direct provision which would limit the application of Fed. R. Civ. P. 25(c) here. (Petition App. at 25). Additionally, the court of appeals also looked to its own precedent, which had already recognized that an original party that had remained a party after a transfer of interest had standing to appeal from the district court judgment. (Petition App. at 24); *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1582 (Fed. Cir. 1986). Thus, the Federal Circuit's independent analysis and recognition of Intelpro's appellate standing is totally consistent with the Court's precedent in *Navarro Savings*, 446 U.S. at 459 n.1, and *Cooter & Gell*, 496 U.S. at 407-09.

II. Intelpro Established Its Standing Independent Of Its Status Under Fed. R. Civ. P. 25(c)

As the Court has previously held, the determination of standing centers around the simple question of whether the party has a personal stake in the outcome of the litigation:

> [I]n terms of Article III limitations on Federal Court Jurisdiction, the question of standing is related only to whether the dispute sought to be adjudicated will be presented in an adversary context and in a form historically viewed as capable of judicial resolution. It is for that reason that the emphasis in standing problems is on whether the party invoking federal court jurisdiction has "a personal stake in the outcome of the controversy" and whether the dispute touches upon "the legal relations of parties having adverse legal interests."

Flast v. Cohen, 392 U.S. 83, 101 (1968) (citations omitted).

Intelpro established that it owned the patents-in-suit at the commencement of the district court actions. Intelpro further established that while it transferred a present interest in legal title to the patents *pende lite*, Intelpro still retained both a present beneficial interest in the patents and a future legal interest in title to the patents. (C.A.Jt.App. at A6040, A6051; Petition App. at 24).

Intelpro also established that as a direct result of the judgment, Intelpro suffered an immediate loss of hundreds of thousands of dollars. (C.A.Jt.App. at A1521-30, A6179-80). Intelpro further established that as a direct result of the

judgment, TCI threatened claims against Intelpro. (C.A.Jt.App. at A6179-80). This immediate and palpable economic injury and certain impending injury demonstrate Intelpro's personal stake in the outcome of the controversy and that it is aggrieved by the judgment. *See Sierra Club v. Morton*, 405 U.S. 727, 733 (1972) ("[P]alpable economic injuries have long been recognized as sufficient to lay the basis for standing. . . ."); *see also Gollust v. Mendell*, 501 U.S. 115, 127-28 (1991) (Section 16(b) of the Securities Exchange Act of 1934 plaintiff maintains standing so long as his continuing financial interest in the outcome of the litigation is sufficient to motivate its prosecution and avoid constitutional standing difficulties); *see also Wissman v. Pittsburgh National Bank*, 942 F.2d 867, 872 (4th Cir. 1991) (a $7,900.00 exemption represented a present and substantial interest sufficient to provide the necessary standing to pursue an action).

Thus, the judgment against Intelpro aggrieves Intelpro and, as demonstrated by the Federal Circuit's opinion on the merits, Intelpro's interest is totally adverse to that of Environ. Further, OPW, as Intelpro's successor-in-interest, is bound by any judgment against Intelpro. *See Kloster*, 793 F.2d at 1582. Therefore, Intelpro showed it has a personal stake in the outcome of the controversy. Stated otherwise, Intelpro established it had suffered actual injury (the immediate loss of hundreds of thousands of dollars of revenue) and had threatened injury (claims against Intelpro based on the judgment), both of which were personal to Intelpro, directly traceable to the challenged district court judgment (declarations of invalidity and noninfringement) and redressable by a favorable decision (reversal/vacation of the declarations of invalidity and noninfringement).

Accordingly, Intelpro showed it satisfied Article III's standing requirement independent of its party status under Rule 25(c). *See Friends of the Earth, Inc. v. Laidlaw Environmental Services (TOC), Inc.*, __ U.S. __, 120 S. Ct. 693, 704 (2000) (citing *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992)).

III. Environ's Authorities Do Not Address Fed. R. Civ. P. 25(c) And Are Also Otherwise Distinguishable

While Fed. R. Civ. P. 25(c) is liberally mentioned in Environ's petition, none of Environ's authority is directed to the interpretation or application of Rule 25(c). The few cases Environ cites where a party in the district court lacked appellate standing not only do not involve Rule 25(c) but also are clearly factually distinct from the present case.

The controversy in *Bender* was whether the activities at issue constituted a violation of the First Amendment. There, the appellant was sued only in his official capacity, but appealed in his individual capacity. *Bender v. Williamsport Area School Dist.*, 475 U.S. 534, 543-44 (1986). He had no standing to appeal in his individual capacity. Further, in his official capacity, he had no personal stake in the outcome of the litigation. *Id.*

The controversy in *Diamond* involved a challenge to the constitutionality of the Illinois Abortion Law. In *Diamond*, the Court held that Diamond, a pediatrician and an intervenor below, did not have appellate standing because, among other things, he was "not able to assert an injury in fact," and he could not show that what he alleged as an injury had a nexus to the substantive character of the matter at issue. *Diamond v. Charles*, 476 U.S. 54, 65-66, 70-71 (1986). Here, Intelpro,

a principal party, has a palpable and significant economic injury (loss of income and the threat of claims against Intelpro) directly connected to the merits of the judgment (invalidity and scope of the patents).

In *Penda*, Cadillac, the appellant, had been a third party defendant in a suit in the Court of Federal Claims and sought to appeal the judgment entered in that action to the Federal Circuit. *Penda Corp. v. United States*, 44 F.3d 967 (Fed. Cir. 1994). The Federal Circuit held that the Court of Federal Claims was without jurisdiction to determine the new and separate issue of Cadillac's contractual obligations to indemnify the defendant/third party plaintiff. *Id.* at 970. Accordingly, no claim before the Court of Federal Claims was directed against Cadillac; at most, Cadillac was a nominal defendant and no judgment was entered against Cadillac. *Id.* at 971. Contrary to the facts there, here, Intelpro was a principal party, judgment was entered against Intelpro and Intelpro is bound by that judgment. *Blonder-Tongue Labs, Inc. v. University of Illinois Found.*, 402 U.S. 313, 350 (1971).

Environ also contends *Michigan-Ohio* addresses the same issue as here. *In re Michigan-Ohio Bldg. Corp.*, 117 F.2d 191 (7th Cir. 1941). (Petition at 15-16). It does not. In *Michigan-Ohio*, corporate stockholders, who were represented through the corporation, appealed a court order retaining jurisdiction over a plan of reorganization approved by the party corporation. The court of appeals held appellants were "wholly without direct interest in the subject matter of which the court had jurisdiction," *id.* at 193, stating:

> Here appellants are wholly without direct interest in the subject matter of which the court

> had jurisdiction. They are stockholders of the corporation which has come to own the assets and which is party to the proceeding. There is nothing to show conduct on the part of the corporation of such character as to endanger in any way their rights as individual stockholders. They have ceased to have any legal interest in the property of the debtor. They are no longer concerned with an accounting of the latter's assets. They are no wise aggrieved; they are deprived of no property or right; upon them is imposed no burden. If there are ever to be any consequences resulting to their injury, they are not reflected by the record. Nothing would justify us in concluding that they are even remotely affected by the decree. It grants no relief against them or in their favor. It is, in the language of the opinion quoted, merely a permissive order.

Id.

Not only is Fed. R. Civ. P. 25(c) not addressed in *Michigan-Ohio*, but the facts in *Michigan-Ohio* are the total converse of those present here. OPW, Intelpro's successor in title to the patents, is not a party to the proceedings. Intelpro is a party, judgment was entered against Intelpro, and that judgment, before it was vacated, aggrieved Intelpro. Intelpro has a present beneficial interest in the patents and a future legal interest in the patents. The adverse consequences of loss of significant income to Intelpro and the threat of claims against Intelpro caused by the district court judgment are of record. Thus, there is no comparison between the facts of the cases cited by Environ and those present here.

IV. Environ's Argument That Designation Of The Court of Appeals Opinion As Non-Precedential Was Done In An Attempt To Shield The Judgment From Review Is Unavailing

As set forth above, precedent, including precedent from the Court and from the Federal Circuit, has already recognized the appropriateness of applying the procedural principles of Fed. R. Civ. P. 25(c) beyond the district court. The Federal Circuit's decision recognizing Intelpro's appellate standing is consistent with that precedent and breaks no new ground. Environ has not pointed, and cannot point, to anything in the Federal Circuit's decision on the actual merits that adds significantly to the body of law.

Federal Rule of Appellate Procedure 36 contemplates that judgments may be rendered by the courts of appeals without an opinion. Fed. R. App. P. 36(a)(2), (b). The Rules of the Federal Circuit provide for both precedential and non-precedential opinions and orders. Fed. Cir. R. 47.6. The determination to make an opinion or order precedential is discretionary with the panel of the court of appeals issuing the opinion or order. Providing for precedential and non-precedential opinions is common among the various courts of appeals. *See*, *e.g.*, 1st Cir. R. 36, 4th Cir. R. 36, 5th Cir. R. 47, 6th Cir. R. 206, 7th Cir. R. 53, 8th Cir. R. Appendix I, 9th Cir. R. 36, 10th Cir. R. 36, 11th Cir. R. 36.

As evidenced by the procedural history here, the designation of an opinion as non-precedential, does not, and did not, impair any right of review of the judgment. Here, Environ filed a petition before the Court of Appeals for the Federal Circuit requesting rehearing *en banc* of the judgment of the panel of the court of appeals. The Court of Appeals

for the Federal Circuit did not deny the petition out of hand because the underlying opinion was non-precedential, as Environ would imply. The court requested an answer to the petition from Intelpro. *See* Fed. R. App. P. 40(a)(3) ("Unless the court requests, no answer to a petition for panel rehearing is permitted."); (Petition App. at 35). The petition was circulated to not only the original panel but also to each of the circuit judges in regular active service. (Petition App. at 35). When presented with the totality of the facts and law related to this matter, Environ's petition was denied and did not elicit the public views of a single judge in favor of granting rehearing.

Nor has the designation of the Federal Circuit's opinion as non-precedential or the denial of Environ's petition for rehearing *en banc* impaired Environ's right to seek review of the judgment by the Court, as is evident by Environ's present petition. Therefore, Environ's argument that the Federal Circuit designated its opinion as non-precedential in an effort to shield its judgment from review is totally baseless.

CONCLUSION

The application of Fed. R. Civ. P. 25(c) by the Federal Circuit is well grounded in existing precedent of the Court and the lower federal courts. As previously held, the use of Rule 25(c) in the present context is not inconsistent with the Constitutional requirement of standing. In addition, Intelpro demonstrated an independent basis for its standing to appeal the judgment entered against it, based upon the personal stake it had in the outcome of the litigation. For all of the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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Supreme Court, U.S.
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Case No. 99-1325

In the

United States Supreme Court

ENVIRON PRODUCTS, INC.
Petitioner,

v.

INTELPRO CORPORATION
Respondent.

On Petition for Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY BRIEF

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PARTIES

In addition to the parties listed in the caption, the following was a party to the proceedings in the district court (as co-plaintiff):

Total Containment, Inc.

Total Containment did not participate in the appeal.

PETITIONER'S CORPORATE DISCLOSURE

Petitioner Environ Products, Inc. has neither a parent nor subsidiary company, and is privately held.

Introduction

Respondent Intelpro has opposed petitioner Environ's plea to this Court for review of the Federal Circuit's decision on standing in this matter with two principal arguments. First, respondent posits that petitioner has ignored an "entire body of case law" that has established that Federal Rule of Civil Procedure 25(c) does not create jurisdiction beyond the limits of Article III. Second, respondent states that it proved its standing independent of its status under Rule 25(c).

Petitioner submits this Reply to make two simple points in response. Respondent would be correct about the body of case law pertaining to Rule 25(c) if the dispute here was about the Rule's application in the *district* courts. But no case has ever held, or even suggested, that Rule 25(c) could be the sole basis for conferring standing to appeal a judgment, and thus serve as the basis for the exercise of the jurisdiction of a court of appeals. Respondent has certainly cited none in its Opposition. Every case cited by respondent applies Rule 25(c) where it was intended to be applied—in the district courts. The Federal Circuit's holding on standing in this case went far beyond that in any of the cases cited by respondent.

The questions presented inquire whether the application of Rule 25(c) to a case on appeal, without any inquiry into the case or controversy necessity that satisfies Article III, is sufficient to meet this Court's requirement that standing (jurisdiction) must be established at every level of the federal courts. Respondent's first argument does not address the questions presented, but rather answers a question about Rule 25(c) applied in the district court, a question not presented here.

Respondent's second argument sidesteps the questions. Respondent fails to acknowledge that the Federal Circuit ignored all of the factors that respondent cites in favor of its standing to appeal and based its decision solely on the application of Rule 25(c) to an appeal. It is this unprecedented decision that petitioner seeks to have reviewed. The question of respondent's standing to appeal based on other factors, all of which are insufficient under law, can be settled as an adjunct to deciding the questions presented.

Respondent's Cases Do Not Establish That Rule 25(c) Has Been Applied Beyond The District Court

Respondent cites the footnote in *Navarro Savings Association v. Lee*, 446 U.S. 458, 459 (1980) for the proposition that this Court has already applied Rule 25(c) outside the district court to permit the original parties to appeal.[1] Respondent's reading *of Navarro Savings* is incorrect.

In the Texas district court, eight trustees owning real estate investments comprising the *res* of the trust filed suit against the defendant. The eight were trustees of Fidelity Mortgage Investors. For reasons not important here, the Texas district court dismissed the case for want of diversity jurisdiction. During the appeal, Fidelity merged into a Delaware corporation.

This fact is recounted in the cited footnote of the Supreme Court's opinion. It is in the opinion because the case was never tried in the district court and, because this

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[1] Intelpro even calls the footnote the "holding" of the case.

Court affirmed the Fifth Circuit's reversal of the district court, the case was returning to the district court for further proceedings. Thus, the Court pointed out that the change in proprietorship over the trustees from Fidelity to a merged entity did not affect jurisdiction because jurisdiction *in the district court* was established when the suit was commenced. Rule 25(c) permitted the original parties to continue the litigation *in the district court*. The Court never addressed jurisdiction (standing) at the appellate level because it was not necessary to do so.

It is important to note what the Fifth Circuit held. It reversed the district court dismissal because the eight trustees (not the shareholders of the trust) were the real parties in interest in the case. The Supreme Court agreed. Thus, it was not necessary to inquire about standing and jurisdiction in either the court of appeals (the real parties in interest brought the appeal) or in this Court. In fact, the Navarro Savings party ("Petitioner") appealed to the Supreme Court, which negated any necessity to inquire into the standing of the trustees ("Respondents") in this Court. Rule 25(c) had absolutely nothing to do with the proceedings in either the Fifth Circuit or the Supreme Court.

Thus, the footnote in *Navarro Savings* says nothing about the question presented in petitioner's Petition for Certiorari. It does not say that Rule 25(c) "permit[s] the original parties to continue the litigation on appeal," quoting respondent. The footnote simply stated that the original parties could continue the litigation under Rule 25(c) on remand to the district court.

Likewise, not one of the remaining cases cited in respondent's "entire body of law" even suggests the application of Rule 25(c) beyond the district courts. They can be addressed quickly in turn.

The Third Circuit in *Natural Resources Defense Council, Inc. v. Texaco Refining and Marketing, Inc.*, 2 F.3d 493, 506 (3d Cir. 1993) said absolutely nothing about Rule 25(c) applied to an appeal. The court merely applied Rule 25(c) in the way it was intended, observing that after a transfer of interest during the district court proceedings the new owner of the interest was bound by the judgment even though it had not been a party to the proceedings.

In *Minnesota Mining & Manufacturing Co. v. Eco Chem, Inc.*, 757 F.2d 1256, (Fed.Cir. 1985), the court's decision addressed the constitutionality of Rule 25(c) applied in the district court, not a court of appeals. The Federal Circuit referred to several other cases from the various circuit courts that stood for the proposition that substitution of a party under Rule 25(c) in district court proceedings after a transfer in interest was not an extension of *the district court's* jurisdiction in violation of Rule 82. The jurisdiction of the district court was established when it was properly invoked at the time the litigation commenced. The court also went to some length to recount the Sixth Circuit's observation, in *Television Reception Corp. v. Dunbar*, 426 F.2d 174 (6th Cir. 1970), that joinder of a transferee party under Rule 25(c) was a matter of procedural convenience for the district court, as the Rule intended. Nothing in the Federal Circuit's opinion, nor in the opinions of any of the cases it cited, suggested that Rule 25(c) could have the effect of establishing standing for a party in a court of appeals proceeding.

Finally, respondent's citations to *General Battery Corp. v. Globe-Union, Inc.*, 100 F.R.D. 258 (D.Del. 1982) and *Hilbrands v. Far East Trading Co., Inc.*, 509 F.2d 1321 (9th Cir. 1975) are equally devoid of information that applies to the present question. In each case, the court applied Rule 25(c) to the district court proceedings only. In neither case is

the question of Rule 25(c)'s application to a court of appeals proceeding raised or discussed.

What each of these cases has in common is very important to the consideration of the present Petition for Certiorari. The courts uniformly state that the application of Rule 25(c) in the district court is a procedural convenience that has no effect on the substantive legal posture of the case. In other words, the courts continually emphasize the *procedural aspect* of Rule 25(c) as it was intended to be applied. Given this emphasis, it is doubly clear that this procedural rule for district court proceedings cannot overcome this Court's rule stated in *Willy v. Coastal Corp.*, 503 U.S. 131, 112 S.Ct. 1076, 117 L.Ed.2d 280 (1992):

> Such a caveat applies *a fortiori* to any effort to extend by rule the judicial power of the United States described in Article III of the Constitution. **The Rules, then, must be deemed to apply, only if their application will not impermissibly expand the judicial authority conferred by Article III.** [Emphasis added.]

Combined with this Court's rule that standing must be shown anew by a party invoking the jurisdiction of a federal appellate court in order to satisfy the requirements for Article III jurisdiction,[2] it is clear that applying Rule 25(c) to establish standing to appeal is a violation of the *Willy* rule. The Federal Circuit unlawfully used the district court procedural rule to create appellate jurisdiction when

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[2] "The standing Article III requires must be met by persons seeking appellate review, just as it must be met by persons appearing in courts of first instance." *Arizonans for Official English v. Arizona*, 520 U.S. 43, 64, 117 S.Ct. 1055, 1067, 137 L.Ed.2d 170 (1997).

respondent was actually obliged to show on its own merit that it had standing to appeal.

Though respondent argues in its Opposition Brief that it made such a showing, the Federal Circuit ignored the facts upon which respondent places such faith. The Federal Circuit specifically stated that it relied only upon the application of Federal Rule of Civil Procedure 25(c) to establish respondent's standing to appeal. As that reliance was legally and constitutionally improper, Environ petitions for review by this Court.

Respectfully submitted,

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Petitioner

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